



eit European Institute of
Innovation & Technology

Annual Activity Report 2012

European Institute of Innovation and Technology

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Introduction

The EIT's Annual Activity Report (AAR) 2012 is a key component of the Institute's strategic planning, programming and monitoring cycle. It takes stock of the EIT's performance during 2012 and is the basis on which the EIT Director takes responsibility for the achievement of the objectives as set out in the 2012 Work Programme and the management of resources. It is in compliance with Article 40 of the Financial Rules of the EIT, adopted by the Governing Board on 20 April 2009.

The Annual Activity Report 2012 comprises four parts and annexes:

Part 1 outlines the EIT's key operational achievements for the year 2012. It reviews achievements compared to the set objectives.

Part 2 focuses on the assessment of the EIT's Internal Control System (ICS). It addresses the implementation of the internal control standards (as adopted by EIT) and efficiency of the internal control system.

Part 3 - Building block of assurance - deals with questions of regularity and legality of operations and material weaknesses in the control system. Annexes to Parts 2 and 3 provide information on specific issues such as risk management, the list of contracts, and grants awarded in 2012.

The report concludes in Part 4 with a declaration of assurance in which the Director, in his role as Authorising Officer, takes responsibility for the legality and regularity of all financial transactions under his responsibility.

The Annual Activity Report is a public document and is available on the EIT website in English.

Part 1 – Achievements

1.1 The EIT's mission statement

The EIT's mission is to contribute to sustainable European economic growth and competitiveness by reinforcing the innovation capacity of the Member States and the European Union. It shall do this by promoting and integrating higher education, research and innovation of the highest standards.

The EIT achieves its mission by fully integrating all three sides of the 'knowledge triangle', i.e. higher education, research and business, in Knowledge and Innovation Communities (KICs). By bringing together major players from all these dimensions to cooperate in the KICs, the EIT is able to promote innovation in Europe. To date, the EIT has established three KICs: Climate-KIC, EIT ICT Labs and KIC InnoEnergy.

In 2010, the EIT concluded long-term (seven year) Framework Partnership Agreements (FPA) with its KICs, whereby these independent legal entities are part-financed by EIT grants on an annual basis. In doing so, the EIT also drives Knowledge Triangle integration, jointly shaping novel innovation agendas, particularly in the fields of higher education, entrepreneurship and world-class innovation, which are being developed jointly with the KICs. These will in the long term have application throughout the European Union and beyond by serving as a reference point and example through good practice learnings and dissemination.

Underlying all of the EIT's activities is the aim of encouraging and facilitating innovative approaches in the creation and cross-border strategic networking of ecosystems favourable to entrepreneurship-driven innovation being able to turn societal challenges into future economic opportunities realising growth and jobs. In applying itself to this aim in a unique and innovative manner, the EIT's vision is to ultimately become a true impact investment institute driven by entrepreneurship thereby benefiting Europe-wide stakeholders and citizens.

1.2 Implementation of the Annual Work Programme 2012

1.2.1 Grant Management as regards Grant Agreements 2011, 2012 and 2013

The EIT consolidated its operational activities by focusing on grant management processes that safeguard the effective monitoring of its KICs' expenditure and reporting, both ex-ante and ex-post.

Annual Grant Agreement 2011

Guidelines for preparing the performance and cost reports were provided to the KICs already at the end of 2011 and beyond the guidelines systemic bilateral exchange of information was performed. The closure of the Grant Agreement (GA) 2011 reporting took place both from an operational and financial aspect. The ex-ante assessment of KIC reports was performed resulting in final balance payments or recovery in September/October 2012. The total EIT financial contribution awarded to the KICs was EUR 59 206 460. The final use of EIT grants resulted in EUR 48 611 007, i.e. the

absorption capacity of the KICs was 82%. This was due to their relative youth and their focus on getting themselves set up.

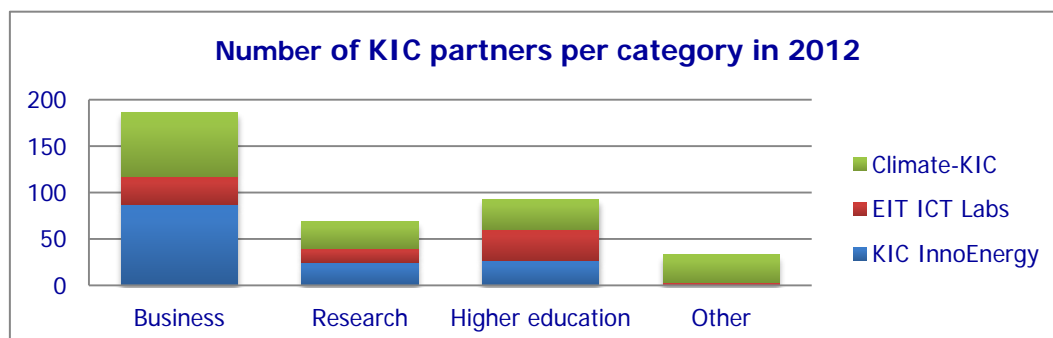
In order to obtain additional assurance on the eligibility, legality and regularity of expenditure declared by the three KICs in respect of the Grant Agreements 2011, the EIT concluded a contract in 2012 with an external audit firm to perform ex-post financial audits, i.e ex-post verification of the cost reports. The external audit firm audited 28 KIC Partners receiving funds from the EIT under the GA 2011 that were selected on the basis of a risk assessment. The final audit reports of the ex-post verification are expected to be received by end of May 2013. The results of these audit reports will serve as a basis for the decision of the Authorising Officer on recoveries, if necessary in view of the audit results.

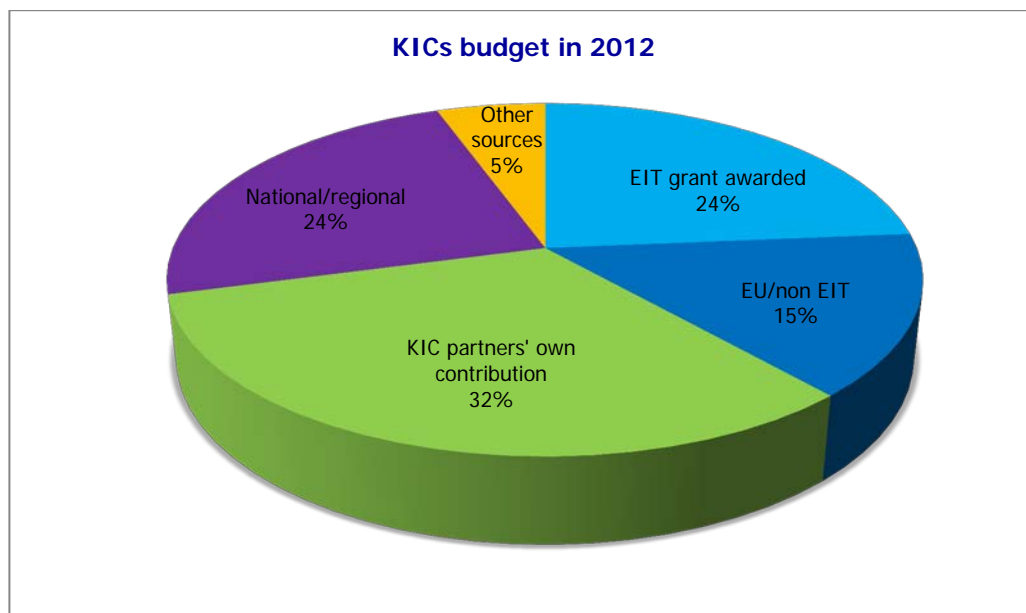
Outputs	Indicators	Results
Final audit reports for the selected 28 KIC Partners	Number of reports with relevant conclusions	<p>Final audit reports are expected to be received by the end of May 2013</p> <p>The decision of the Authorising Officer on recoveries, if necessary in view of the audit results.</p>

Annual Grant Agreement 2012

In October 2011, the KICs submitted their business plans covering the period from 01 January to 31 December 2012 to the EIT, as the basis for requesting the EIT financial contribution for 2012. Following the EIT assessment of the 2012 Business Plans submitted by each KIC as well as a Hearing on their Business Plans between the EIT Governing Board and each KIC on 30 November 2011, the following amounts were allocated to each KIC: EUR 23 231 253 to Climate-KIC, EUR 27 307 605 to EIT ICT Labs, and EUR 31 176 142 to KIC InnoEnergy. Thus, the total EIT financial contribution to the KICs amounted to EUR 81 715 000.

The criteria for assessing the business plans presented were the following: (1) links between the 2012 Business Plan and the previous Business Plans, (2) the contribution of KIC activities to four strategic objectives derived from the EIT Scoreboard, (3) structured presentation of KIC added-value activities and other KIC activities (funded by non-EIT sources), and (4) financial plan. These amounts were awarded to each individual KIC by signing all three annual grant agreements between March and 17 April 2012. In the course of 2012, additional funds of EUR 8 100 000 were allocated, committed and proportionally split between the three KICs with the purpose of extending their portfolio of activities in the field of outreach. The final EIT financial contribution for 2012 amounts to EUR 89 815 00.





Annual Grant Agreement 2013:

As part of the process leading to the EIT's 2013 financial allocation to the KICs, the EIT implemented for the first time the competitive funding allocation in accordance with the 2009 Call for KICs and the Framework Partnership Agreement concluded with the three designated KICs. This mobilised internal resources:

- to design and communicate to the KICs the principles, criteria and processes related to this allocation in compliance with the mandate of the EIT Governing Board given to the Director;
- to perform the assessment of the KICs past performance based on 'core KPIs (key performance indicators)' that had been agreed upon during the course of 2012 with the existing KICs;
- to select, contract, brief and manage external experts in charge of the evaluation of the KICs 2013 Business Plans supporting the EIT HQ team in carrying out its assessment;
- to design the templates, information/presentation material and processes to conduct the 3 part of the evaluation – KICs past performance, 2013 KICs Business Plan and Hearings with the EIT Governing Board;
- to share the results with the EIT Governing Board and the KICs.

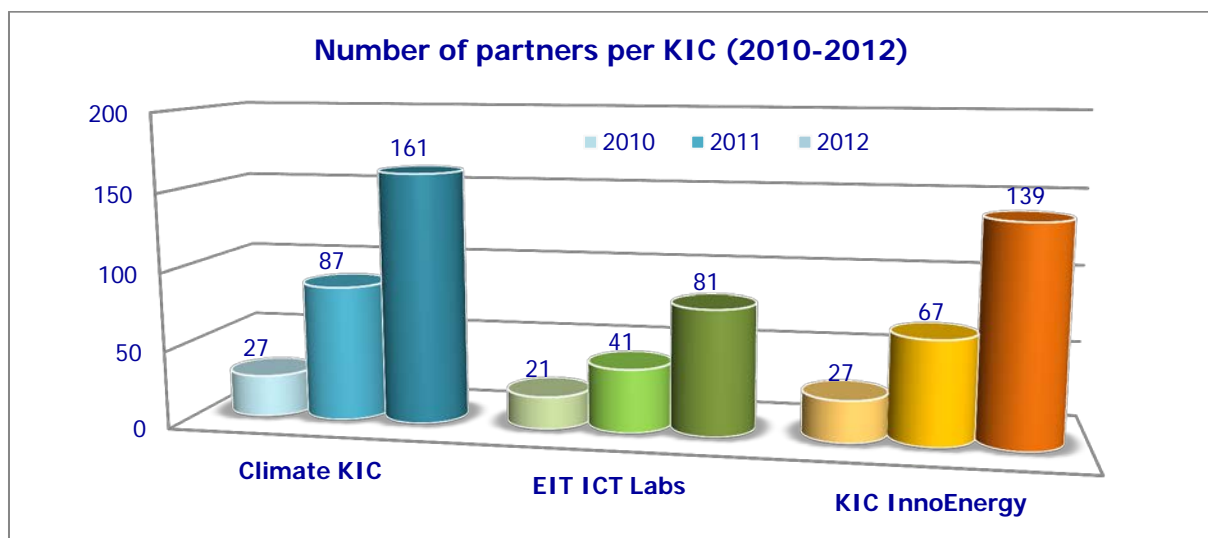
Following an assessment of the 2013 Business Plan submitted by each KIC, as well as EIT Governing Board hearings with each KIC on 12 December 2012, the following amounts were allocated to the KICs: EUR 44 325 619 to Climate-KIC, EUR 41 129 171 to EIT ICT Labs, and EUR 43 410 918 to KIC InnoEnergy. Thus, the total EIT financial contribution to the KICs for 2013 amounted to EUR 128 865 709. This represents a 44% increase of funds compared to 2012.

The EIT was assisted by six external experts to perform the assessment of the KICs 2013 Business Plans thereby assuring reliability and independence. In order to facilitate the work of the experts and maximize their added-value, the EIT developed templates, presentations and flowcharts to plan and manage in a project management approach the contributions of the experts as part of the remote and the consolidation phases.

The GA 2013 signature was prepared in the second semester of 2012 by conducting a detailed consultation process with involved stakeholders. This led to signature by 15 February 2013 with all

three KICs. Significant progress in the signature date of the grant agreements was achieved compared to previous grant cycles.

Outputs	Indicators	Results
Consolidated experts assessment on the KICs 2013 Business Plan according to the criteria applicable to the competitive funding algorithm	Drafting of evaluation templates, presentations and flowcharts, Contracts with experts for the assessment of business plans	Inputs for the competitive funding algorithms and feedback given to the KICs as part of a continuous quality improvement approach Templates, presentations and flowcharts for the Business Plans assessment, Contracts with 6 expert evaluators, 1 preparatory meeting and 1 consolidation meeting with the experts, assessment reports which was presented to the GB KIC Hearing of DD December 2012
First allocation of the EIT funding to the KICs including a competitive part	Design of an efficient architecture and process for competitive review Two pronged approach including support and competitive funding Stable principles decided coupled with flexibility on annual % and weightings	Successful implementation of the process leading to the allocation to the KICs involving, external experts for the first time. Three pillars: past performance (by HQ own assessment), business plan (external experts assessment) and EIT Governing Board hearing. Reusability potential for the subsequent years for both current and future KICs providing balancing sustainable and incentive support.



Major KIC Activities in 2012

Climate-KIC

Innovation

A major achievement in 2012 was the development of the 8 Challenge Platforms. These challenge platforms fall within Climate-KIC's four main themes and correspond to the 8 programmes planned in the original Proposal. Each platform is led by a team of world class experts drawn from across the Co-location Centres (CLC)/Regional Implementation Centres (RIC), and with representation from business, academic and public sectors. They are tasked with the development of a specific strategy.

During 2012, Climate-KIC ramped up its project portfolio of both innovation and pathfinder projects. The former are major innovation projects aimed at the development of new technology or services, while the latter are small agile projects that are used for scoping market opportunities and identifying barriers to innovation and its implementation. 7 new Innovation and 8 new Pathfinder projects were launched in 2012, bringing the total of current running projects to 17 Innovation and 10 Pathfinder.

Education

The Education pillar launched the first Climate-KIC activity in 2010. During 2012, the Education pillar continued to develop the innovative scope of the educational programmes to train new generations of entrepreneurs. Climate-KIC successfully delivered the first wave of Climate-KIC EIT labelled masters programmes in 2012. These 31 programmes run by Climate-KIC are an innovation in education, allowing students to become highly specialised science or business graduates who are 'switched on' to innovation and entrepreneurship relevant to climate change, and act as part of a diverse European community.

Of the wide range of cross-sector, cross geography and cross discipline activities that take place, The Journey, a summer school aimed at strengthening the entrepreneurial skills of its participants, remained highly successful and popular. During the year 2012, 241 of Climate-KIC Master's and PhD students attended one of the 5 Journeys – each Journey was hosted by 3 of Climate-KIC's Co-location Centres (CLC) and Regional Implementation Centres (RIC).

Entrepreneurship

Climate-KIC's Entrepreneurship pillar helps entrepreneurs, start-ups and businesses bring their climate innovations successfully to market – leveraging the full potential of the Climate-KIC innovation community.

A major objective for 2012 was to harmonise the support of new climate start-ups. The establishment of the Climate-KIC incubator network (11 incubators across Europe) together with the development of a successful three-stage support approach, with 78 ideas incubated, was an important result of this harmonisation exercise.

The Climate-KIC helped small businesses innovate via SME vouchers, enabling young companies to enhance the specification of their products, services and business cases with the specialised

support of Climate-KIC partners, and to be introduced to their first customer. 20 SMEs received this support in 2012.

Further dissemination and extension of the Climate-KIC entrepreneurial community was achieved via the Pioneers-into-Practice programme – designed to train people who are multi-skilled, able to combine technical specialities with social understanding and entrepreneurial capacity in order to address the challenges of climate change. In 2012, 172 participants combined cross-sector placements and mentoring together with 2-day crucibles to share their experiences, and now join a community of more than 300 Climate-KIC ‘change agents’ across Europe.

EIT ICT Labs

The overall objective for EIT ICT Labs in 2012 was to *Invest for Impact*.

As part of the Innovation and Business Strategy, this materialised through the reorganisation of the business action lines with in particular the launch of the Business Development Program further integrating the business development activities across the Co-location centers.

With respect to the Co-location Centres, the KIC made several investments during 2012 in terms of personnel recruitment and strengthening of the business development activities. Trento officially became the 6th node of EIT ICT Labs in 2012.

In line with the “invest for impact” approach, the EIT ICT Labs action lines became more and more focused on concrete impacts, generating more than 40 knowledge adoptions and transfers, more than 10 new companies created and more than 15 new products and services launched into the market.

During 2012, the main education initiatives of EIT ICT Labs, the Master School and the Doctoral School moved from preparation to implementation. The Master School Office was created during Spring 2012. 92 students were selected out of 560 applications. The co-operation agreement between EIT ICT Labs and the founding Doctoral School universities was signed in October 2012. 40 Doctoral Students were selected in December 2012 and 4 Doctoral Training Centres were launched.

The Marketing and Communication activities continued to establish EIT ICT Labs as a recognised innovation brand in education, research and business development. A significant milestone of 2012 in the MarCom area was EIT ICT Labs’ successful participation in the influential CeBIT conference.

In alignment with this strategy, EIT ICT Labs signed a Memorandum of Co-operation with the partners of the Future Internet Public-Private Partnership programme. The co-operation under the programme will initially focus on deploying EIT ICT Labs business catalysts to facilitate the take-up of FI-PPP results by small and medium sized companies.

KIC InnoEnergy

The results of KIC InnoEnergy in 2012, for the three pillars of the knowledge triangle and Management and Coordination, are shown below:

⇒ In Education:

- 560 students are currently enrolled in 7 MSc programmes (3 were launched in 2012), 3 Executive Education programmes (all with at least 60 ECTS) and the PhD School.
- More than 1028 new eligible candidates applied to join KIC IE Master's programmes in 2012
- 23 out of the first 28 MSc EIT labelled graduates entered the labour market, with an average salary of EUR 29 000, that is 15% above what their peers earn in their first jobs.
- A quality assessment, to check compliance with the EIT-label criteria, was performed in all 7 MSc programmes. 3 of the Tracks obtained their EIT label and all of them have an improvement plan for reaching in 2013 the EIT label for following years.

⇒ In Innovation Projects:

- 41 innovation projects have been running (15 launched in 2012) in all thematic fields, with:
 - 108 industries involved (of which 55 are SMEs)
 - 45 new products and services defined as forecasted outputs, most of them with a final business case (product definition, competitive advantage, Net Present Value)
 - The three objectives of KIC InnoEnergy (decrease of energy cost, increase of operability and decrease of GHG effect) are fully covered by the portfolio of projects.
 - 25 patents filed out of 69 pre-identified patents, and 1 of them registered.
 - 2 SME industrial processes and 1 from major industries are being upgraded with products and services out of the Innovations Project portfolio.
 - 25 of the current innovation projects (an increase of 10 compared to 2011) have integrated two dimensions of the knowledge triangle, and five projects all three dimensions (i.e doctoral candidates from the PhD School who are involved in the innovation project, following the PhD School and are planning to establish a start-up based on the innovation created).

⇒ In Business Creation:

- 184 entrepreneurs with a business idea (cumulated from 2010 to 2012) have asked KIC InnoEnergy to nurture them.
- At the 2012 year-end, the KIC InnoEnergy Highway™ comprised 25 ventures.
- 8 start-ups have been created.
- A team of 5 student-entrepreneurs came second in the worldwide contest HULT Global Challenge, sponsored with 1M\$ by former US president Bill Clinton, in the course beating teams from established institutions such as MIT, Stanford and Cambridge

⇒ In Management and Operation:

- Awareness of the KIC/EIT model:
 - KIC InnoEnergy organized 40 events in 2012
 - It has been present, most of the times actively, in 120 events organized by third parties, with half of it specialized in sustainable energy matters, showing a complete complementarity to other instruments, mechanisms and institutions working in sustainable energy.

In addition to the above, the EIT launched in 2012 the 'Living the KIC' initiative which was piloted with KIC InnoEnergy in order to increase mutual knowledge and continuous monitoring of the KIC's activities and results. The programme will continue to run on a yearly basis and will involve in a homogeneous and comprehensive way visits to all the KIC Colocation and Regional Innovation and Implementation Centres (in the case of Climate-KIC) and their activities of the three pillars of the knowledge triangle, with the active participation of both EIT and KIC Officers. The program is based on a schedule proposed by the KICs, typically composed by 6-10 events per KIC each year.

Simplification: early moves

The new legal framework envisaged for the EIT as of 2014, namely the new EU Financial Regulation, Rules of Application (RAP), Framework regulation for Horizon 2020 and the Rules of Participation and the revision of the EIT regulation, serves as a baseline for EIT's simplification strategy. As the negotiations for these legislations was still on-going during 2012 (except for the new EU Financial Regulation and the Rules of Application (RAP) which entered into force as of 1 January 2013), the relevant actions planned for 2012 were postponed to 2013. Despite this, some improvements were introduced, notably lump sums and flat rates benchmarked with the KICs against other EU programmes (Erasmus Mundus in particular), adopted by the Governing Board as part of the Financing Decision and attached to the 2013 Annual Grant Agreements signed with KICs.

Outputs	Indicators	Results
Deferred to 2013	Study on simplification; active KICs and EC's involvement in the study and workshops	N/A, with the exception of flat rates and lump sums already implemented for Educational activities. A scaled up agenda for simplification mid 2013 will look into the short, medium and long term covering respectively administrative/finance improvements, systemic review of EIT/KIC current interactions and future legal derogations possible to the EIT in the H2020 context.

1.2.2 Preparing for New KICs

Preparation of the new call for KICs

The EIT has designated and established three KICs to date; each set up as a separate legal entity that focuses on a different priority area, namely three of the 'Grand Societal Challenges': climate change adaptation and mitigation, the future of information and communication society and sustainable energy. With the aim of reaching a critical mass of KICs and contributing to the large-scale impact which the European Union needs, based on the EIT Governing Boards' initial proposal of June 2011, the European Commission put forward a proposal for new portfolio of KICs in the Proposal for a Strategic Innovation Agenda for the EIT in November 2011 (to be adopted by the European Parliament and Council in 2013).

In 2012, the EIT began to prepare the future KICs Call. The following actions were taken following the set-up of a specific Working Group of the EIT Governing Board:

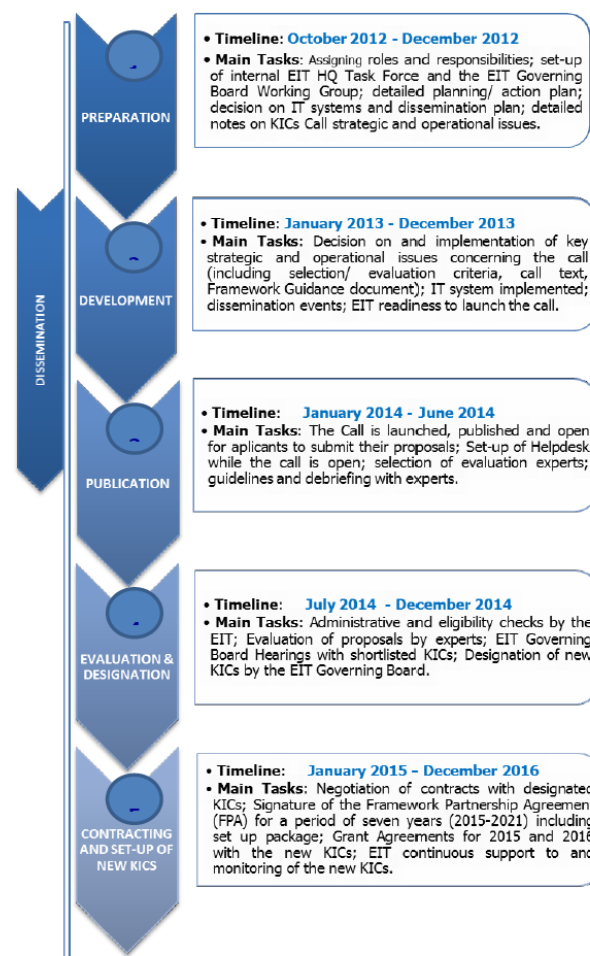
- creation of an internal platform (HQ Task Force) to generate, develop and implement measures in connection to the Call;
- draft the planning / timeline, working documents and key issues on the Call;
- under the auspices of an event organised by the Cypriot Presidency of the Council of the European Union and the European Commission, the EIT participated in an event dedicated to the thematic areas of the new KICs as proposed in the SIA;
- contracting an external expert to benchmark best practices in Europe and outside Europe for evaluation and selection process of proposals as well as to produce a SWOT analysis of the different possible designs for the evaluation and selection process and their impact on the definition of the selection criteria and weightings.

During its December 2012 meeting, the EIT Governing Board also adopted an indicative roadmap with concrete deliverables for 2013, namely: 1) criteria to select KICs and evaluation process; 2) Framework Guidance to proposers; and 3) Call text.

At the same time an indicative roadmap on dissemination events was adopted by the GB detailing the timing of different type of events, such as a follow on event during the Irish Presidency, EIT Awareness Days, thematic events for the thematic areas that will be decided upon by the European Parliament and Council and national Info Days.

The Cyprus Presidency of the Council of the EU and the European Commission organised a Conference entitled: "European Institute of Innovation and Technology Stakeholders Conference –

Indicative Roadmap, Main Phases and Timing Leading to the Designation of new KICs



* Subject to decision reached between the European Parliament and Council in the on-going ordinary legislative procedure [2011/0387(COD)]

Addressing Societal Challenges through the EIT” in November 2012. The conference aimed to bring together the European innovation community to discuss the future of the EIT, including the contribution of its existing and potential future Knowledge and Innovation Communities (KICs) to tackling Horizon 2020 societal challenges. Special focus was given to the setting-up experiences of the first wave KICs, and the key elements for establishing a future KIC. The target audience had emphasis in the participation of Representatives from the Higher Education, Business, Research and Innovation Communities and Decision-makers at the EU, national and regional levels.

Outputs	Indicators	Results
Initiate preparation of the new KIC call	<p>Overall roadmap agreed with the EIT Governing Board,</p> <p>First version of the criteria,</p> <p>First version of the Framework Guidance</p> <p>Agree on Call text with EIT Governing Board with the involvement of the European Commission , namely the parent Directorate General (DG EAC)</p>	<p>EIT internal Task Force dedicated to the new KIC call was set up in October 2012, including leading Unit and Call coordinator</p> <p>Roadmap for the new KIC call established and adopted by the EIT GB in December 2012.</p> <p>New KIC Call EIT Task Force was set up in October 2012.</p> <p>New KIC Call GB Working Group was set up in December 2012.</p> <p>Benchmarking report (the first draft) was delivered in January 2013</p>

1.2.3 Enhancing Structured Collaboration with KICs

A structured and comprehensive dialogue between the EIT and the KICs was established in 2011 by means of an EIT and KIC Forum.. This effective co-operation was continued in 2012. Quarterly Forum meetings were organised with the participation of the KIC CEOs prior to each EIT Governing Board meetings thus streamlining progress regarding both strategic and operational issues of common interest. Moreover, in 2012 the three existing Task Forces, namely Performance/KPI, Communications and, Finance Task Forces operated successfully under the umbrella of the EIT-KIC Forum to tackle issues of a more technical nature. Each Task Forces met regularly, four times in 2012, prior to the EIT-KIC Forum meetings to which they report.

This systemic dialogue allowed issues to be identified at an early stage and to be tackled jointly, and improved overall visibility as to the results and successes of each of the legal entities involved. An increased level of participation of KIC LE representatives and the high number of proposals discussed demonstrated the effectiveness of these collaboration platforms. In addition, the EIT HQ organised monthly discussions with each of the KICs to address KIC-specific issues incurred at at CEO or COO/CFO levels.

The Performance/KPI Task Force was set up to jointly define and operationalize a comprehensive EIT Performance Measurement System in consultation with the KICs.

In a first phase, between December 2011 and February 2012, the “KPI Taskforce”, led by the EIT Director with the contribution of KICs CEOs (or their COO as representatives), designed the EIT’s strategy map outlining the Institute’s strategic objectives and related performance indicators.

The second phase, namely the implementation of the performance indicators, started in May 2012 and was finalised in December 2012, completed the definition of the indicators and defined the plan for measure and evaluation of the performance.

The cross-KIC KPIs (so called Core KPIs) are operational as of 30 November 2012.

This is an important achievement for the EIT, which now has a unique set of indicators developed together with the KICs to not only benchmark them but also to evaluate the EIT performance and setting the ground for a new approach in the evaluation of the outputs.

The preliminary measures and the definition of the EIT Performance Measurement System are reported in Annex 7.

Outputs	Indicators	Results
<p>Four EIT-KIC Forum meeting held</p> <p>Five Finance and Simplification Task Force meetings held</p> <p>Four Communication task force meetings held</p> <p>Eight KPI task force meeting held</p>	<p>Level of KIC participation;</p> <p>Number of proposals and HQ-driven initiatives tabled to the Forum and corresponding Task Forces</p>	<p>Full representation by KICs CEOs at the relevant Forum meetings</p> <p><u>Number of proposals discussed:</u></p> <p>Task Force Communication: 5</p> <p>(EIT and KICs communications priorities for 2012, EIT Bulletin Concept, EIT KICs Newsletter development, 2012 Conference organisation and co-operation and website improvements)</p> <p>Task Force Performance/KPI: Overall set of indicators defined</p> <p>15 of 16 KPI defined (See Annex 7) including 6 Core KPIs subsequently endorsed by the EIT Governing Board in March 2013</p> <p>Task Force Finance and Simplification: (concepts on, sub-granting, sub-contracting, calculation of KIC Global expenditure, handling of VAT, reporting)</p>

1.2.4 Knowledge and Information Management

Knowledge and Information management at the EIT focuses on identifying and mapping processes and the information flows, and support the streamlining of these through the development of IT tools, methodologies and support. In 2012, the EIT started the development of a Knowledge Management platform to secure the retention and the availability of the knowledge and information, particularly with regards to its own as well as the KICs' operations.

An IT Steering Committee was put in place at the initiative of the Director, thereby identifying as a strategic project the reinforcement of the Document Management with particular attention to the Documents related to the Grant Cycle. An internal working group has been set up focused on the reorganization of the documentation related to the EIT and the KICs that have consolidated all documents from the past exercises.

To properly address the communication between internal stakeholders, i.e.: EIT and KICs , an appropriate system was set up through the new platform called “Duna¹”, an extranet website where the EIT can safely exchange data and documents with the KICs, the Commission’s observers and the Governing Board.

In addition to this platform, a new filing system was developed to properly secure the traceability of the management of the documents. This includes a compliant correspondence filing register, and a document filing structure. Finally, the EIT started to develop an Information System to secure the management process of the documents related to the KICs Grant Cycle and in particular for the submission and assessment of the reporting concerning the Grant Agreement 2012.

Outputs	Indicators	Results
New knowledge management tool available to support the day-to-day KIC operations and increase the intelligence building within the EIT and KICs	Tool(s) timely developed and deployed (extranet for KICs and intranet) Document Management System in place	Collaboration Platform with the KICs Record Management application 443 documents were recovered and structured

1.2.5 Fostering Education and Entrepreneurship

During 2012, the EIT focused mainly on two of the main knowledge triangle pillar agendas, namely education and entrepreneurship whilst the Institute started to pave the way for running the third one during 2013 (on world-class research/innovation). Information exchange and workshops have regularly been organised by the EIT with the KICs to foster cooperation in these cross-KIC agendas and with the purpose of further outreach, mutual learning and future KIC collaboration

The main achievement of 2012 in these areas is the finalization of the handbook for the quality assurance and learning enhancement model, its approval and adoption by the EIT Governing Board in June, and launching the pilot implementation of EIT labelled degrees in collaboration between the EIT and its KICs which led to KICs having the first assessment of master and PhD courses of the different KICs. By the end of 2012, more than 35 Masters courses had already obtained the EIT label which recognises their orientation to fostering entrepreneurial and innovative/creative mindsets. The EIT label implementation is the result of a strong cooperation of all parties involved securing EIT label model requires continuous future interaction between the EIT and its KICs. During 2012, relevant higher education stakeholders were also consulted about the EIT label and the handbook with both positive and constructive feedback.

Regarding entrepreneurship, several events were launched by the EIT in 2012 including the first EIT Entrepreneurship Award and the Roundtable of Entrepreneurs. The latter was launched for the first time in September 2012 with a meeting that gathered in Budapest well known and successful entrepreneurs, venture capitalists, and experts in areas such as entrepreneurship education. This

¹ <https://duna.eit.europa.eu> (only visible if member of the EIT Active Directory)

first event served to identify key topics that will be further analysed with dedicated experts from policy and practice from 2013 onwards.

Last, but not least, 2012 was also an important year to set up the operational basis of the EIT Foundation (EITF) and define its activities further. The EIT cooperated with the EITF mainly by participating in the three working groups with the purpose to plan different action lines, namely an internship on EITF companies, the Young Leaders group initiative, and the Innovation Forum. A visit by the EITF Chairman with members of its Board to the EIT HQ in Budapest took place in March 2012, thereby establishing the practice of a dialogue at that level coupled to regular contacts between the EIT Director and the Secretary General of the Foundation.

Outputs	Indicators	Results
Finalisation and start of the implementation of quality assurance and learning enhancement process for securing the EIT label	Suitable model ready for implementation	Handbook for the quality assurance and learning enhancement model - adopted by the EIT Governing Board in June 2012. Presentation of the handbook to the KICs through the Education Panel. The 2012/2013 academic year corresponds to a pilot phase of implementation which will serve for revision of the Handbook in 2013.
Further develop strategic contacts with education stakeholders and member states	Strategic contacts enhanced	Strategic contacts were performed regularly with relevant stakeholders of the European Higher Education Area (ENQA, EQAR, EUA, EURASHE, Business Europe, National Bologna Experts and Tempus Higher Education Reform experts...) during the development of the handbook to ensure alignment with EU policies and trends in higher education, as well as for promotion of the EIT label.
Internationalisation strategy for EIT education and start strategic collaboration with international partners	Exploratory contacts and studies focused on some non-EU countries	The internationalization strategy was implemented as part of the additional outreach funding for each KIC. Each KIC performed different initiatives. A global EIT strategy for the future was agreed to be more relevant when the EIT label consolidates.
Coordination with EIT Foundation regarding education activities	Aligned EIT/EITF education activities	EIT staff participation in relevant EITF working group and provision of information on KIC education activities.
Structured collaboration with KICs on EIT-KICs education agenda	Number of meetings and initiatives of common interest tabled	As planned, education and entrepreneurship panel meetings were organized periodically (six meetings in total in 2012) to ensure coordination between the EIT and its KICs. The main topics included the implementation of the EIT label, the outreach strategy of EIT and KIC activities, and coordination of cross-KIC activities, mutual learning etc.
Development of additional EIT educational activities in line	Number of additional	Pending the final approval of the SIA and the future EIT budget, developments included a first

with the SIA (Strategic Innovation Agenda)	activities specified	reflection about a fellowship scheme and the EIT alumni.
EIT Round Table of Top Entrepreneurs	Increase visibility on the EIT Entrepreneurship activities through support from renowned entrepreneurs	The first Round Table of Entrepreneurs meeting was organized in September 2012 in Budapest, and the possible work plan for the upcoming years was discussed and agreed.
Knowledge sharing and developing best practices in entrepreneurship and education in KICs	Quality and usability of ideas/actions jointly developed	Bilateral KIC/CLC consultations; incl. strategic and operational expert advice. This activity was executed mainly through the education and entrepreneurship panels.

1.2.6 Entrepreneurship Award

On 21 February 2012 the EIT, together with 'Science Business', organised the "European Entrepreneurship Summit" in Brussels that focused on how to unlock Europe's innovation potential and address the various challenges faced by European entrepreneurs. During this high-level event, both the ACES awards, as well as first pilot EIT Entrepreneurship Awards were celebrated.

Encouraging entrepreneurship is a key element of the EIT's mission and the first EIT Entrepreneurship Awards put the spotlight on some of the most promising ventures that emerged and were pre-selected by each KIC: Climate-KIC, EIT ICT Labs and InnoEnergy.



The 3 winners of the first EIT entrepreneurship award pose to the left and right of Chairman Alexander von Gabain, Commissioner Vassiliou and Willem Jonker, CEO of EIT ICT Labs

KIC

Nine nominated ventures were invited to Brussels to pitch their business ideas to an expert audience. The following three winners were finally selected:

- EIT Climate Change Award: **NAKED ENERGY**
A renewable energy company combining photovoltaic energy and solar thermal energy technologies to generate both hot water and electricity
- EIT ICT Entrepreneurship Award: **TRIFENSE**
A venture specialising in a self-learning technology which protects computer networks against unknown cyber threats
- EIT Sustainable Energy Entrepreneurship Award: **NOEM**
A company designing a modular, mobile, sustainable and energy-efficient house

This first wave of KIC ventures highlighted the extent to which the activities of the KICs integrated all elements of innovation, from initial discovery to invention and translation to the market, exploiting knowledge and skills of talented individuals nurtured by their corresponding KIC communities.

Outputs	Indicators	Results
EIT Entrepreneurship Award on 21 February 2012	Media coverage and feedback form the participants to the Award Ceremony	Newsletters on the nominated ventures were prepared before and after the event Publication: "Driving Innovation and Growth: The 2012 Yearbook of the EIT Awards and Science/Business ACES Awards" was produced

1.2.7 Raising the EIT's visibility and awareness

As the KICs and the EIT consolidate their operations and first conclusions are drawn in terms of emerging practices and outputs are progressively visualised and demonstrated, it is vital that such results are disseminated and publicised in order to build upon and showcase the readiness and full potential of the EIT and its KICs beyond partners and individuals currently participating in its activities, thereby creating benefits and value across the Europe innovation landscape.

During the course of 2012, this was achieved on the basis of the various strategic communications activities building upon the strengthened EIT and its activities. A number of new activities were added to complement existing ones, thereby strengthening the portfolio of awareness actions undertaken by the EIT, such as the production of videos (<http://www.youtube.com/user/EITeu>) and the first issue of the EIT & KICs newsletter (<http://eit.europa.eu/newsroom-and-media/article/eit-kics-newsletter/>).

EIT Stakeholder Outreach

The conference "Good practices & learnings linking business, research and higher education" that was held under the auspices of the Danish Presidency of the Council, served to highlight precisely these first findings and lessons learned so far at different EIT governance levels.

This event attracted over 300 participants in person and more than 360 viewers of the live stream online. It was the first EIT event of this scale at which the Institute was able to actively engage with and reach out to a wider range of stakeholders across Europe.

The main objective of the Conference was to illustrate how the EIT implements its model and mission in practice, and to showcase its activities, achievements and developments to date at all levels: EIT as an institute, Knowledge & Innovation Communities and Co-location Centres.

To that effect, the Conference sessions were designed to provide participants with an in-depth understanding of EIT activities that



would allow them to benefit from the lessons learnt during the implementation of its ambitious agenda.

Additionally, the Conference served as a forum for representatives from all sides of the knowledge triangle as well as innovation policy makers and practitioners to interact and build bridges. The different sessions provided the framework of wider discussions on how innovation has been fostered to date and what can be done to share and shape creative innovation practices in the future. Indeed, the two days were buzzing with lively discussion and debate.

The full conference report is available here:

http://eit.europa.eu/fileadmin/Content/Downloads/PDF/Key_documents/Conference_Report_Final.pdf

Outputs	Indicators	Results
Organisation of a successful stakeholder conference with above average feedback received from participants highlighting their increased understanding of the EIT and KICs concept and a very good organisation of the event	(1) No. of participants; (2) coverage of targeted stakeholder categories; (3) geographical coverage; (4) media coverage.	(1) 309 participants (2) participants from the following stakeholder groups: higher education, research, business, multiplier organisations, EU institutions, media, KICs. (3) participants from 29 countries of which 18 EU Members States (4) Limited media coverage

Digital Communication and Engaging Media

In order to gain increasing impact and visibility, the EIT launched a refreshed website in March 2013 that allowed for a greater functionality and features to be achieved, and actively promoted itself by using various different media and communication tools with a view of reaching many diverse user groups and interested audiences as possible. Emphasis was put on practical stories and people testimonies resulting from EIT activities. To achieve this, a news slider was introduced on the homepage to bring 'people' involved in EIT stories to the fore and a clear distinction was also made between news and innovation highlights to facilitate stakeholders' ability to find evidence and stories from the existing KICs.

Outputs	Indicators	Results
New website with increased impact and more features to support the EIT's social media strategy	Number of visits to the website and overall appreciation/impact of the brand	EIT refreshed website successfully launched at the end of March 2012 Total number of visits to the website during 2012 was 196 735 of which 118 065 were unique visitors.
Production of corporate videos and filmed success stories and testimonies	Number of views of the videos on the EIT and KICs websites	EIT videos were produced on the occasion of the EIT Awards and of the Copenhagen conference. All EIT videos are available here: http://www.youtube.com/EITeu

Enhanced visibility towards strategic audiences	Media coverage of the EIT including balance in both specialised and mass media	The EIT media coverage increased during the course of 2012 and even stronger emphasis will be given to this action for 2013.
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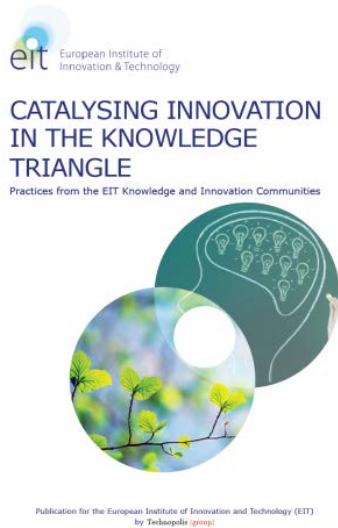
Improving Corporate Identity

The EIT, although fairly widely discussed and increasingly appreciated within innovation policy circles, does not yet benefit from a real and recognisable corporate identity that it must develop in order to achieve its full potential. In order to do so, the EIT conveyed its existing messages clearly and convincingly through KIC-driven evidence. The EIT also aimed to step-up its contributions to the overall innovation policy dialogue to develop itself into a convincing source of innovation practices and approaches within the Knowledge Triangle.

Due to the negative priority assigned to the project following the deliverables concerning the EIT Bulletin, to the production of an EIT Thoughtbook and to enhance the quality and volume of the written material with the help of professional writers, these projects were not implemented in 2012. However, a first annual publication was successfully produced on emerging practices from the KICs (see below).

Outputs	Indicators	Results
The EIT folder containing factsheets and KIC success stories was updated and reprinted in 2012	Increase in the level of awareness through concrete KIC success stories (both innovation models and outputs) piloted and published by EIT	Updated factsheets and KIC success stories shared with EIT external stakeholders during the course of meetings, workshops, awareness days and conferences.
Corporate Promotional Material	Level of awareness using promotional material or general use particularly in view of future EIT Conferences, EU-driven institutional events, etc	Due to the late signature of the Framework Contract under which the corporate promotional material was ordered, the specific contract was signed in 2012 but the items were delivered in 2013 and will be distributed at events organised in 2013.
Comprehensive information on EIT education activities for stakeholders, especially students	Education activities successfully promoted via different media (e.g. Website)	Comprehensive information on EIT education activities on EIT website dedicated to education http://eit.europa.eu/education/ offering a clear link to relevant information directly on each KICs' website.

1.2.8 Good Practices at EIT, KICs and CLC Levels



The First EIT publication entitled 'Catalysing Innovation in the Knowledge Triangle – Practices from the EIT Knowledge and Innovation Communities' published in 2012, contains an overview of the EIT, the three first KICs and their co-location centres (CLCs) and outlines the EIT's pioneering role to increase European sustainable growth and competitiveness by reinforcing the innovation capacity of the EU within a dynamic and shifting global context.

The publication is accessible here:

http://eit.europa.eu/fileadmin/Content/Downloads/PDF/Key_documents/EIT_publication_Final.pdf

The Master Thesis Pilot Scheme was a means for the EIT to support students in their research on topics within the remit of the EIT's activities. It was open for the academic year 2011/2012, and one proposal was selected from the applications received.

Laura Sudintaitė and Kristina Černaitė, studying *MSc in Business and Economics, programme Managing People, Knowledge and Change* at Lund University spent 3 months researching and publishing their thesis „ Does context matter? Study of knowledge sharing in the European Institute of Innovation and Technology“.

For details of the scheme, please see:

http://eit.europa.eu/fileadmin/Content/Downloads/PDF/Education/EIT_Master_Thesis_Pilot_Scheme_FINAL.pdf

With a view to increase the overall visibility and impact of EIT activities, a number of dissemination and outreach actions were conducted and additional ones prepared (cf. above "1.2.7 Raising the EIT's visibility and awareness"). However, due to a lack of available human resource and following a strategic decision by management considering core business in 2012 regarding KICs operations, the specific action was declared a negative priority to be partly covered by action lines in the area of "Communications and Dissemination" as well as "Stakeholder Engagement".

Outputs	Indicators	Results
Master Thesis in the area of good practices coming from the EIT/KIC/CLC.	(1) No. of interests expressed, (2) relevance to EIT/ GPL activities (3) added value of research to EIT activities, (4) increased academic visibility and awareness of the EIT	Three students were interested in. One proposal was selected: „Does context matter? Study of knowledge sharing in the European Institute of Innovation and Technology“ Lessons learned for future research agenda
EIT publication entitled ‘Catalysing Innovation in the Knowledge Triangle – Practices from the EIT Knowledge and Innovation Communities’	(1) timely submission of tendered study covering all aspects as laid down in ToR, incl. (2) validation workshop, (3) presentation to Danish presidency conference in June 2012.	(1) the EIT contractor submitted the final deliverable in a timely manner covering all required aspects (2) a validation workshop has been held successfully in Brussels in April 2012 (3) the EIT contractor has been presenting initial findings of the study at the EIT conference in Copenhagen in June 2012
Good practice and learnings	(1) list of identified dissemination strategies, (2) relevance to EIT/ GPL activities	The activity has been covered partly by the contracted revision of the EIT’s Communications Strategy as well as the preparatory work done for developing an EIT strategy for enhanced stakeholder engagement (cf. above “1.2.7 Raising the EIT’s visibility and awareness”).

1.2.9 Networking and Strategy Contacts

As the KICs and the EIT are consolidating their operations and first conclusions are drawn in terms of practices and outputs, it is vital that these results are disseminated and publicised in order to build upon and strengthen the awareness of the EIT and the KIC concept, thereby creating added value and benefits across Europe. This was achieved on the basis of the various meeting and speaking engagements as well as at the EIT high-level conference in Copenhagen.

Outputs	Indicators	Results
Establishing and maintaining relations with EIT stakeholders and providing tailored information	No of meetings and speaking engagements; Support in Parliament and Council by Member State in question, increasing positive and wider recognition nationally	35 Conferences where EIT was represented 1 Hearing at EP “European Parliament Hearing on EPP GROUP HEARING ON HORIZON 2020: “THE FUTURE OF THE RESEARCH IN THE EU” (06 June) 2 High-level visits of Commissioner Vassiliou and Chairman of the EIT Governing Boards to KIC co-location centres in Berlin (February 2012) and Stockholm (May 2012)

EIT Headquarters as a hotspot	No of visitor groups received at EIT Budapest HQ	Several national delegations were hosted at the EIT HQ
EIT Awareness Days providing information on the EIT and the KIC model to national stakeholders	No of events	Nr of EIT Awareness Days: 5, as follows: IE – 03 May 2012 DE - 24 September 2012 UK - 03 October 2012 AT - 15 October 2012 HU - 11 December 2012
EIT community building	Student and alumni network established	Activity started with initial input paper for internal discussion on future concept

Part 2 – Management and internal control system

This part provides the reader with key information on the nature and characteristics of the EIT, its administrative structures and accountability chain (Section 2.1) as well as the functioning and effectiveness of the internal control system (Section 2.2).

2.1 General overview

The EIT was established in 2008² to contribute to sustainable economic growth and competitiveness by shaping a new approach to innovation at EU level with a specific emphasis on people as 'game' essential to help Europe bringing its innovation gap. To this end, the EIT represents a paradigm change in the European innovation landscape in shaping and implementing next generation innovation policies via its Knowledge and Innovation Communities (KICs).

2.1.1 Governance

The Director throughout 2012 was José Manuel Leceta who took up duty on 1 July 2011.

The EIT is an independent EU body and has its own legal personality. Its activities are steered by its Governing Board, which is the principal governing body of the EIT entrusted with the role of strategic leadership and the overall direction of the operational activities implemented by the EIT. It is independent and autonomous in its decision-making and is responsible for the selection, designation, evaluation and support of the Knowledge and Innovation Communities (KICs). The Governing Board brings together 22 high calibre members balancing prominent expertise from the higher education, research, business and innovation fields. It adopts the EIT's Rolling Triennial Work Programme, the budget and establishment plan, the Annual Work Programme/Financing decision and the subsequent Annual Activity Report and the Annual Accounts. The EIT Governing Board generally meets four times a year to provide strategic guidance and take decisions³, including annual financial allocations to the KICs.

In 2012, the EIT Governing Board met on four occasions (on 21–22 March in Budapest, on 27–28 June in Copenhagen, on 19–20 September in Budapest and on 12–13 December in Budapest). The EIT Governing Board took 33 decisions (2011: 24) in 2012.

The Governing Board is assisted by an Executive Committee composed of five Governing Board members, including the Chairperson of the Governing Board. The Executive Committee also met four times in Budapest in 2012 to prepare for the Governing Board meetings. In addition, a Hearing with the KICs was held in order to assist the Governing Board in reaching a decision on the annual financial allocation to the KICs for the financial year 2013. In application of the transparency

² Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology

³ Founding Regulation, Article 3(3): 'The Governing Board shall meet in ordinary session at least three times a year...'

principle, the list of all decisions taken by the EIT Governing Board is made publicly available on the EIT website (<http://eit.europa.eu/about-us/governing-board/board-decisions/>).

The EIT's parent Commission Directorate General is the Directorate General for Education and Culture of the European Commission (DG EAC), which is also an observer to the Governing Board. The EIT maintains close working relations with its parent DG. In 2012, as part of the preparation for the next multi-annual financial framework period, DG EAC agreed with EIT to set up four working groups (WG1: EIT Internal organisation, management of human resources and staff motivation; WG2: EIT Planning, programming and reporting; WG3: Knowledge and Innovation Communities (KICs) and Monitoring; WG4: Communication and knowledge management) in order to set up an effective and efficient governance and management system.

In 2012, the following changes and developments should be noted:

- In accordance with the EIT Regulation, the mandate of the 12 members appointed to the EIT Governing Board in 2008 ended on 31 July 2012 and as such, a call for expression of interest identified future candidates for the EIT Governing Board. The 12 new appointed EIT Governing Board members are: Gabor Bojar, María Garaña, Dr Ulf Johansson, Elpida Keravnou-Papailiou, Dr Jana Kolar, Prof. Marja Makarow, Prof. Peter Olesen, Dr Patrick Prendergast, Bruno Revellin-Falcoz, Gianfelice Rocca, Prof. Nigel Thrift and Jeroen Van Der Veer. The Chairman of the EIT Governing Board, Alexander von Gabain, remained. An induction session was provided to all new Governing Board members including a presentation on their roles and responsibilities, conflict of interest and ethics and integrity prior to the first Governing Board meeting in September 2012.
- The Accounting Officer resigned as from 15 May 2012. The Governing Board appointed the EIT's Budget Officer as Interim Accounting Officer for the period lasted from 16 May 2012 to 16 July 2012 when the newly recruited Accounting Officer joined to the EIT. The Internal Auditor resigned as of 31 December 2012. The recruitment of a new Internal Auditor is still on-going.
- In order to assist the Governing Board in fulfilling its obligations of steering the activities of the EIT with respect to matters involving the final recommendations issued by the Internal Audit Function (IAF) of the EIT, the Internal Audit Service (IAS) of the Commission and the European Court of Auditors, an Audit Committee was established as an advisory group to the EIT Governing Board on 13 December 2012.

2.1.2 Human Resources

In 2012, the EIT recruited 16 staff members, which brought the number of staff to 47 on 31/12/2012. This means an increase of 17,5 % (from 40 at 31/12/2011). As a result, at the end of the year, the EIT had a full Establishment Plan (all TA posts filled) and in total, 5 posts (2 CA and 3 SNE) were vacant partly due to unsuccessful result following their publication in 2012.

The recruitment of the EIT staff was in line with the EIT's objectives and priorities, as outlined in the Multi-annual Staff Policy of the Institute.

Regarding the preparation for the significant increase of the EIT's tasks and workload, an organisational development project has been started with a view to establishing the culture, the processes and procedures to ensure the transition from the current situation to the future one,

focusing on three priority areas: Internal organization and management of human resources; Planning, programming and reporting and Communication and knowledge management. The first stage of the project was successfully implemented in 2012 and the follow-up activities have since then been led by a newly formed 'Design Team' with the support of a specialised HR consultant.

As for the implementing rules giving effect to the Staff Regulations, the Governing Board adopted the rules regarding training for staff of the EIT in June 2012. In addition, a concept of a training policy including the areas of priority was discussed at the Management Team and the finalisation and implementation of this training policy are planned to take place during the 2013.

Meanwhile, in-house training sessions covering the areas of Ethics & Integrity and Respect and dignity at the workplace were organised for all staff. Also in 2012, an eHR tool was also put in place, thereby further increasing the efficiency of HR support: two modules of leave management (LeaMa) and mission management (MiMa) have so far been implemented.

2.1.3 Finance and Accounting

Budgetary and financial management

The Institute receives most of its funds in the form of a European Union subsidy, by decision of the budgetary authority. The EIT receives additional revenue from the Host Member State, Hungary. In accordance to the Hosting Agreement concluded between the EIT and the Government of the Republic of Hungary, Hungary undertakes to contribute to the staff costs of the EIT to cover the cost of the salaries of 20 EIT employees for five years. The contribution is due from 2011 onwards in five annual instalments of EUR 1 560 000 per year.

The EIT's work is planned and reported on in an annual strategic planning and programming, and reporting cycle.

The EIT's medium-term priorities are set out in its rolling Triennial Work Programme (for 2012: TWP 2011-2013 and TWP 2012 – 2014) which are translated into annual work

programmes/financing

decisions. Both Triennial and annual working

programmes are endorsed by the EIT Governing Board upon proposals by the Director. The Units establish their unit work programme on the bases of the objectives and main activities set in the AWP adopted by the Board.

Budget execution was reported to the Management Team on a monthly basis with deviations from budget execution targets by budget chapters. This allows for corrective actions where needed in order to optimise the utilisation of the financial resources available. Comprehensive budget reports were made available on shared drive to the organisation. The allocation of the financial resources



was monitored during the year and reviewed in detail two times (at Spring and at Autumn) thereby formulating re-allocations, where required. The budget was committed to 97,74% and paid to 90,00%; detailed figures and analysis are presented in Annex 3.

Procurement and grants

The procurement plan, as an internal document of the EIT, is prepared on an annual basis to support the efficient implementation of the AWP by describing in detail the type and timing of procedures foreseen for the implementation of the actions that require a purchase. The implementation of the procurement plan, in parallel with budget execution, was reported to the Management Team and made available to all staff on a monthly basis. It was also subject to a thorough revision as part of the Spring and Autumn reviews.

In order to promote procurement best practices and knowledge within the EIT documented procedures, templates and info sessions have been provided.

In application of the transparency principle and pursuing Articles 123 (4) and 124 (4) of the Rules of Application to the Financial Regulation, and Article 26 (4) EIT Financial Rules, contracts awarded in 2012 shall be advertised. Annex 6 includes the obligatory information to be published by 30 June 2013 on procurement contracts awarded in 2012.

In addition, three grant agreements with the Knowledge and Innovation Communities (KICs) were finalised for an amount of EUR 89 815 000 and the entire amount was committed. Several guidelines were made available providing detailed instructions to KICs as regards years 2012 and 2013, namely Guidelines on entry and exit of KIC Partners to and from the KICs (GA 2012 and GA 2013); Guidelines on the preparation of the KIC Business Plans and Budgets (GA 2013); Guidelines for the preparation of KIC Reports (GA 2012 and GA 2013); EIT Financial Guide (GA 2012); EIT methodology for the certificates on financial statements (GA 2013).

Control environment

In 2012 the existing financial circuit was reviewed by taking into consideration of the level of delegation, the nature of expenditures, the number of transactions, the level of available skills and the elements of cost efficiency. This resulted in the establishment a new financial circuit which was adopted in July 2012.

Fully decentralised financial circuit was introduced for administrative expenses and incomes except for mission expenses and for expenses and incomes related to grants. Partially decentralised financial circuit was adopted for operational expenses and incomes except for grants and mission expenses and incomes. The Heads of Units acted as Authorising Officers by Delegation (AODs) on budget line they were empowered and up to EUR 60 000.

On 8 June 2011, the European Commission decided to grant EIT (partial) financial autonomy with the EIT Director acting thereafter as Authorising Officer in line with the EIT Financial Rules. Working arrangements were however established for the Commission to continue supporting the EIT, via ex-ante verification regarding the management of KIC grants and high-value procurements exceeding 60.000 Euros. Such prior consultations provided a second level assurance to the Authorising Officer.

Accounting

There are no comments in the Court of Auditors' report on EITs annual accounts for 2011 and in the Courts opinion, the transactions underlying the annual accounts are in all material respects legal and regular.

2.1.4 Risk management

In accordance with Article 38(4) of the EIT Financial Rules, the Director of the EIT, in his capacity of Authorising Officer, decided in its Decision No. 17/2010 to implement the same principles and main elements of the Commission's risk management methodology⁴. Having regard to the risk associated with the management environment and procedures suited to the performance of the EIT duties, the risk management exercise is done on a yearly basis, covering the whole of the EIT activities.

Building on the results of an initial risk management exercise of 2011, a comprehensive risk assessment was carried out in 2012. The risk assessment exercise was launched in September 2012 and a bottom-up approach was followed in the risk identification and assessment phase. The three units of the EIT identified and discussed the risks related to the objectives and activities of the units and, as a result, established/updated the unit's risk register. Then, the units proposed to include their most significant risks in the EIT's risk register, which was adopted by the EIT Management in December 2012. The EIT risk register follows the template recommended by the Commission⁵ and risks are categorised on the basis of the Commission risk typology. The EIT risk register contains the actions planned to address the risks, including the owners of the actions as well as the target dates for completion. The implementation of the action plan is monitored throughout 2013 to ensure they continue to be effective and relevant. To this end, the EIT risk register and action plans are reviewed by the EIT Management on a quarterly basis.

As the grants awarded to the KICs represent the highest share of EIT's operational budget (around 90%), an adequate identification and management of the risks related to their implementation is crucial to contribute to EIT's Director Declaration of Assurance.

Specific risks within the management of grants are:

- Inherent risks linked to the multiplicity of organisations and systems, involved in a diversity of operations;
- Inherent risk deriving from the start-up phase of KICs;
- Inherent risk deriving from the complexity and nature of KIC added-value activities;
- The reliance which can be placed on the KICs internal control systems is not yet fully explored;
- The quality and accuracy of the certificates on the financial statements are not yet known.

⁴ SEC(2005)1327 adopted in October 2005 "Towards an effective and coherent risk management in the Commission services"

⁵ Risk management in the Commission – Implementation guide, version October 2010

These risks are mitigated by:

- Guarantees built in Grant Agreements provisions;
- Continuous guidance provided to KICs in terms of performance and financial matters;
- Close follow-up of the implementation of the KIC added-value activities;
- Ex-ante verifications such as the assessment of performance and cost reports;
- Ex-post verifications.

In 2012, the risk mitigating activities in respect of grants largely concerned the:

- Update of the annual grant agreement with appropriate guarantees;
- Guidance provided to KICs (e.g. EIT methodology for the preparation of Certificates on Financial Statements and EIT Financial Guide);
- Detailed ex-ante assessment of cost and performance reports submitted in respect of the Grant Agreements 2011; and
- Ex-post verification of the Grant Agreements 2011 launched in October 2012.

For further risks identified in relation to planning, processes and systems (operational and financial processes), people and organization (internal organization, human resources, organisational behaviour) as well as for a summary of risk mitigating actions implemented in 2012 please refer to Annex 8.

2.1.5 Information Technology (IT)

The main challenges in 2012 were related to the implementation of several information systems. A number of key projects were delivered to support everyday activities in EIT. These included the implementation of Leave Management (LeaMa) and Mission Management (MiMa) tool, development of EIT intranet, migration of outsourced Exchange services to local Exchange server, installation of servers (Sharepoint, SQL) needed for implementation of Grant Management and Document Management Systems as well as the implementation of Tender and Contract Management (TCM) software and update of Business Continuity Plan.

An IT Steering Committee was set up on 30 October 2012 following an initiative of the EIT Director with the purpose of ensuring that IT strategy is aligned with the strategic business goals and activities of the EIT with the mandate to develop the necessary IT specific security policies, standards procedures; and of planning, monitoring and prioritizing major IT projects from cross-unit and cross-functional perspective. IT Steering Committee met several times in 2012. The IT Steering Committee identified priorities for the projects that results in the EIT IT Master plan a coordination and management tool that complements the IT Schema Directeur in defining governance and strategy for the implementation of the Information Systems.

The Policy on Video-Surveillance was adopted on 30 November 2012 to ensure the proper protection of the personal data, privacy and other fundamental rights and legitimate interests of those caught on cameras.

To ensure that the EIT's Information Systems are secured, efficient and complies with the appropriate legislation, the General Information Security Policy was established and adopted by the EIT Director on 10 December 2012. A Local Security Officer (LSO) was also appointed.

2.2 The functioning of the entire Internal Control system

According to EIT Financial Rules, the EIT budget shall be implemented in compliance with effective and efficient internal control and the EIT authorising officer shall put in place the proper organisational structure, internal management, control systems and procedures for performing his duties. Therefore, on the 4 June 2010, the Governing Board has decided that the EIT's minimum standards on internal management and control system are based on six building blocks: mission and values, human resources, planning and risk management processes, operations and control activities, information and financial reporting and evaluation and audit.

With its Decision 3/2010, the EIT Director decided to apply the prevailing Internal Control Standards applicable to the European Commission. The EIT's main objective is to maintain the appropriate balance between the risks to be addressed and the controls required for minimising the risks.

2.2.1 Effective implementation of the internal control standards

In 2012, the EIT focused on compliance with the standards that have been identified during the project on the ICS implementation assessment. For 2012, the following actions were taken for the prioritised internal control standards.

ICS1 - Mission

The EIT fully complies with ICS 1. All Units developed mature unit mission statements in line with the overall EIT mission, objectives and priorities. This rolling exercise was particularly important in 2012 because it was the first one after the new organisational structure put in place in September 2011.

ICS 3 Staff Allocation and Mobility

The recruitment of the EIT staff was in line with the EIT's objectives and priorities. A specific policy to facilitate the integration of new staff in the team was developed and implemented including an induction session organised for new staff in September 2012.

Considering the nature of the EIT (young organisation and limited dimension) a staff mobility plan is not yet foreseen. Retention was subject of attention through a Task Force on staff well-being.

Following the priority actions identified for 2012, significant efforts were made to accelerate the implementation of the EIT's Establishment plan to counter understaffing. As a result, the EIT had a full Establishment Plan at 31 December 2012. Furthermore, individual job descriptions were finalised for all staff members and the team roles have been clarified. Important steps have also been taken in the area of internal organization and management of human resources by engaging into a wide-ranging organisational development project with the support of an external professional consultant.

ICS 4 Staff appraisal and development

The implementing rules regarding training of staff have been approved by the EIT Governing Board in June 2012. A concept of a training policy including the areas of priority was developed. The finalisation and implementation of this training policy are planned to take place during the 2013. Meanwhile, individual training maps were discussed and agreed between each staff member and the concerned line manager. The training maps are stored in the personal file of the staff members.

An improvement is envisaged for 2013 with the staff performance evaluation by implementing an appraisal system in line with the revised Commission system once it will become operational.

ICS 5 Objectives and performance indicators

The template for the Annual Management Plan was developed in order to have a mature document reflecting SMART criteria, milestones and proper performance indicators. The first exercise for the finalisation of the Annual Management Plan will be conducted in 2013. However all Units prepared their work programme for the financial year 2012.

In 2012, the continuous monitoring of the activities was carried out during the Management team meetings where a report on the budget and procurement implementation was monthly presented and discussed. Whenever deemed necessary, the Management team applied corrective measures.

The Performance Measurement System was launched in order to identify proper KPIs for the assessment of the EIT's activities. The EIT KPIs have been developed taking into consideration the EIT's core business process in alignment with the KICs's KPIs. The first data collection will take place in the first quarter of 2013. A revision of the Performance Measurement System is expected to take place in the first half of 2013.

ICS 6 Risk Management Processes

For the risk management process (ICS 6), an annual risk assessment exercise was put in place and a risk register was formally adopted. The Management team analysed the risks that have a potential impact on the achievement of the objectives, the application of the sound financial management principle and the reputation of the EIT. Whenever the existing controls did not provide adequate assurance of risk mitigation, additional measures were agreed. The implementation of the additional measures will continue also in 2013.

ICS 7 Operational Structure

Delegations of authority are clearly documented and have been properly communicated to the relevant staff. All financial actors are identified and are aware of their roles and responsibilities. In 2012, the delegations have been updated in accordance with the new financial circuit. SOP on exceptions reporting was adopted in February 2012 in order to document an appropriate process for ensuring authorisation and centralised registration of exceptions and non-compliance events. All instances of overriding controls or deviations from established regulatory framework are tracked and registered. A specific register for the sensitive functions will be developed in the first half of 2013.

The Information and Communication Technology governance elements have been put in place. The IT Steering Committee was established in November 2012 and it was mandated to identify the IT relevant strategies and policies. The implementation of these documents is expected to take place during the 2013, together with the finalisation of the disaster recovery policy.

ICS 8 Processes and Procedures

In 2012, the EIT has strengthened the analysis of the existing operational, support and management processes and their formalisation into appropriate procedures. 25 new standard operating procedures have been approved and implemented. The main administrative processes have been formalised, providing description of roles and responsibilities. Six new SOPs were adopted for the main operational processes, namely Assessment of KICs Business plans and budgets; Annual grant award process, preparation and signature of the Grant Agreement, Amendment of the Framework Partnership Agreement-entry and exit of KIC partners; Amendment of the grant agreement;

Assessment of KIC reports and determination of the final amount; Selection and use of experts in the context of the KICs Business Plans Assessment.

ICS 9 Management supervision

Management supervision is ensured via regular Management Team meetings and Unit meetings. The monitoring of cross-unit projects implementation is supported by a dedicated monitoring table and ad hoc town hall meetings promoted by leading Heads of Units. The monitoring of financial transactions by the Management is ensured with appropriate identification of the financial roles (i.e. Authorising Officers, Initiating Agents and Verifying Agents) and supported by relevant standard operating procedures and detailed check lists. A specific reporting system on the monitoring and follow-up of risk assessment action plan has been developed and implemented in order to improve the supervision of the core business processes.

ICS 10 Business Continuity

The EIT concluded a services contract for the realisation of a study to identify the major risk of disruptions on the EIT's activities and their impact. On the basis of this study, an appropriate Business Continuity Plan was developed and approved in the first quarter of 2013. Its implementation is expected to take place during the 2013. In addition, dedicated plans have been implemented to ensure continuation of all processes by identifying clear deputising arrangements for operational and financial transactions. Further improvement is expected in 2013 related to the appointment of back-up functions and the finalisation of contingency back-up plans for the information systems.

ICS 11 Document Management

In 2012, the EIT has launched a document management project for the recovery of the documents from previous years (2010-2012). The project aimed at the identification of the classified documents according to the EIT Decision 22/2010 and at the proper filing, particularly regarding the business process related to the grant cycle. Furthermore, a new registration system was developed and put in place. Specific info-sessions have been organised with the relevant staff.

ICS 12 Information and Communication

The EIT launched a procurement procedure for the provision of consulting services for the review and update of the communications strategy for the EIT. The contract was signed in October 2012 and the outcome is expected in the second quarter of 2013.

The internal communication was also supported by "all staff" meeting, unit meetings and by the intranet that was developed in 2012. Improvement is envisaged in 2012 with the development of a platform for enhancing the exchange of information with the KICs and with the Governing Board members.

2.2.2 Conclusion on the effectiveness of the entire control system

The EIT has put in place measures which ensure that the internal control systems are effective. It has considered the risks and focused on the control resources in the areas where the risks are the greatest, while ensuring adequate control over all other activities. Based on all information received and the above analysis, the EIT considers that it has an effective and reliable control system at its disposal.

Part 3 – Building blocks towards the declaration of assurance

This part describes the elements underpinning the EIT Director's declaration of assurance.

3.1 Building blocks towards reasonable assurance

Assurance is an objective examination of evidence for the purpose of providing an independent assessment of the effectiveness of risk management, control and governance processes. This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director. The reports produced are:

- the opinion and the observations of the Internal Audit Function (IAF);
- the observations and the recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

The information resulting from these reports is presented below around four 'building blocks' which support the declaration of assurance. These are: (1) the assessment by management of the information available; (2) the information reported by internal and external auditors; (3) the follow-up of action plans and past audit recommendations; and (4) the assurance received from other Authorising Officers.

3.1.1 Building block 1: Assessment by management

In 2012 each Head of Unit acted as Authorising Officer by Delegation on the budget lines they received the power of budget implementation up to EUR 60 000. The continuity of the service in the absence of the responsible authorising officer was ensured by ad-hoc delegations in 2012. In order to have a permanent deputising system, the EIT Director adopted a Decision on co-delegation, cross-delegation and deputising on 8 March 2013 and designated the deputies of the Authorising Officers by Delegation.

As described in chapter 2.1.3 of part 2 a new financial circuit was established in July 2012 taking into consideration the level of delegation, the nature of expenditures, the number of transactions, the level of available skills and the elements of cost efficiency.

Fully decentralised financial circuit was applied for administrative expenses and incomes, except for mission and training expenses, whereby the administrative unit managed the entire financial circuit.

Partially decentralised financial circuit was applied for operational expenses and incomes (except for grants). The main characteristic of this model is the hierarchical independence from the Authorising Officer by Delegation of the persons performing financial initiation and verification. It provided the management with assurance from the finance team of the administrative unit that everything is in conformity from a financial point of view and gave support to the operational units.

As the KICs grants representing 88% of the budget are higher-risk transactions, a fully decentralised model was established. The (operational and financial) initiation as well as the (operational and financial) verification functions are executed by the operational unit in charge of KICs grants with a second level financial verification at the level of the finance team of the administrative unit and with keeping the authorisation of the transactions with the Authorising Officer, who is the EIT Director. The Commission continued supporting the EIT, through second level ex-ante verification regarding the management of KIC grants and high-value procurements exceeding EUR 60 000, therefore providing an additional assurance to the Authorising Officer.

Ex-ante verification

In compliance with the EIT Financial Rules, ex-ante financial verification was executed on all financial transactions by the designated EIT staff member performing financial verifying function other than those who initiated the operation and other than the responsible authorising officer. Errors detected during such controls were corrected before the transaction was approved. It ensured sound financial management of the EIT budget and the legality and regularity of the financial transactions.

Ex-ante measures applied for grant transactions

As foreseen under Article 38 (5) of the EIT Financial Rules, EIT consistently applies ex-ante verification both on commitment and payment transactions. In addition, as an ex-ante mitigating measure of any financial risk associated with pre-financing payments, EIT decided to request financial guarantees. In 2012 numerous guidelines were made available providing detailed instructions to KICs as regards years 2012 and 2013, namely Guidelines on entry and exit of KIC Partners to and from the KICs (GA 2012 and GA 2013), Guidelines on the preparation of the KIC Business Plans and Budgets (GA 2013), Guidelines for the preparation of KIC Reports (GA 2012 and GA 2013), EIT Financial Guide (GA 2012), EIT methodology for the certificates on financial statements (GA 2013).

In 2012, final balance payments were effected by closing several grant agreements i.e. Preparatory Grant Agreement, Grant Agreement for 2010 and Grant Agreement for 2011. The EIT performed the technical and financial assessment of all final reports to assess the adequacy of the implementation of the Business Plans and to identify the final balances due. Annex 5 (Internal Control Template for Budget Implementation) describes the control strategy applied for grant management.

In line with its grant assurance strategy, EIT combined its sources of assurance either performing a desk checks on a sample of supporting evidence and/or requested Certificates on the Financial Statement (CFS) by independent auditors. Details on the expenditure/partner coverage are shown in the following table.

	GA 2010	GA 2011	PGA 2010	GA 2010	GA 2011	GA 2010	GA 2011
	EIT ICT Labs		KIC INNOENERGY			CLIMATE KIC	
Total EIT grant	5 418 606 EUR	16 649 733 EUR	1 000 000 EUR	6 541 212 EUR	22 881 626 EUR	3 780 634 EUR	9 178 538 EUR
% expenditure covered							
<i>by CFS</i>	60%	96%	0%	36%	98%	53%	88%
<i>by EIT sampling (of declared actual exp.)</i>	23%	0%	20%	15%	0%	13%	0%
total expenditure covered	82%	96%	20%	52%	98%	67%	88%
% of partners covered							
<i>by CFS</i>	33%	64%	0%	7%	34%	15%	35%
<i>by EIT sampling</i>	30%	0%	80%	81%	0%	50%	0%
total partners covered	63%	64%	80%	89%	34%	65%	35%

As a result of the ex- ante verification procedures described above the necessary preventive actions were taken to reduce the risk of payment of unduly amounts to the KICs.

Ex-post verification of grants

In order to obtain reasonable assurance on the legality and regularity of the expenditure reported by the KICs and to with a view to detecting and correcting errors, the EIT has developed and implemented an ex-post audit strategy. This verification activity complements ex-ante controls embedded in the KICs grant management processes.

Article 39 (4) of the EIT Financial Rules specifies that the verifications related to ex-post controls may be organised on a sample basis using risk analysis. In accordance with the EIT ex-post verification strategy, the sample of KIC Partners to be audited was selected as a result of a two-stage risk assessment. The objective of the KIC-level risk assessment was to determine the riskiness – more specifically the risk-adjusted financial exposure – of each KIC in order to establish audit coverage targets. After the coverage targets for the three KICs had been established, a risk assessment was carried out within the KICs. The objective of the KIC Partner level risk assessment was to determine the riskiness of each KIC Partner in order to select the individual KIC Partners to be audited. Altogether 28 KIC Partners, who received grants under the Grant Agreements 2011, were selected for ex-post financial audits. The coverage levels achieved by the ex-post audits are demonstrated in the following table.

KIC	EIT grant paid (EUR)	EIT grant paid to audited partners (EUR)	Number of Partners audited	Coverage (% of EIT grant paid)
Climate KIC	9 178 537,67	5 214 804,50	8	57%
EIT ICT Labs	16 566 414,44	9 902 532,69	10	60%
KIC InnoEnergy	22 866 055,00	17 024 281,76	10	74%
TOTAL	48 611 007,11	32 141 618,96	28	66%

Due to the wide geographical spread of KIC Partners throughout the European Union, the most economic and efficient solution was to outsource the ex-post audits to a professional audit company. The EIT provided the external audit company with a detailed audit programme containing the procedures to be carried out at the KIC Partners as well as a template for reporting the findings. In order to provide further guidance to the external audit company and to ensure good quality of the work done, the EIT Finance Officers accompanied the auditors on seven on-the-spot audits.

All 28 final audit reports have been received by the EIT by May 2013 and the results are being discussed with the three KICs in the contradictory procedure that follows the ex-post audits. As the contradictory procedure is still on-going at the time of preparation of this Annual Activity Report, it is not possible to report on final error rates. However, the preliminary results indicate that both the net error rate (i.e. the financial impact of the ex-post audits on the final payments made by the EIT in respect of the Grant Agreements 2011) and the residual error rate for non-audited grants will be below the materiality level of 2% for Climate KIC and EIT ICT Labs.

In case of KIC InnoEnergy, the preliminary results indicate material errors for two KIC partners. These two cases seem to be isolated and the preliminary results show that no recovery will be necessary at 8 out of 10 Partners audited. The EIT will ensure an appropriate follow-up to the two issues detected once the contradictory procedure with KIC InnoEnergy has been finalised. Any amounts unduly paid will be recovered and the scope of the ex-post audits will be extended, if necessary.

Exception reporting

In 2012, the EIT followed the complementary guidance on exceptions reporting of the European Commission and adopted a standard operating procedure (SOP) on exception reporting in line with article 25a of the EIT Financial Rules and ICS 8.

All instances of overriding controls or deviations from established processes and procedures are documented in exception reports. Instances of non-compliance events are documented in non-compliance reports and logged centrally. Exceptions concern cases which deviate from the EITs rules and procedures.

In 2012 no exception and ten non-compliance events were recorded. The total value of the non-compliance events amounts to EUR 123 168,25, which represents 0,17 % of the total payments executed in 2012. The non-compliance events concerned receipt of services without the amendment and update of the relevant legal commitments; identification of a procurement procedure, delay in the initiation of budgetary commitment and/or budget availability check and the reimbursement of travel, accommodation costs and/or representation costs without prior authorisation. In 2012 the EIT already took steps to mitigate the resulting risks.

3.1.2 Building block 2: Results from audits during the reporting year

Annual external audits of the EIT are conducted by the European Court of Auditors.

On the basis of the IAS-IAF Working Arrangements, the Commission's Internal Audit Service (IAS) and the EIT's Internal Auditing Function (IAF) conduct selected internal audits as joint audits, while the majority of internal audits are conducted by the EIT's IAF.

In order to assist the Governing Board in fulfilling its obligations of steering the activities of the EIT with respect to matters involving the final recommendations issued by the Internal Audit Function (IAF) of the EIT, the Internal Audit Service (IAS) of the Commission and the European Court of Auditors, an Audit Committee was established as an advisory group to the EIT Governing Board on 13 December 2012. The Committee examines the audit reports and the action plan proposed by the Director in response to the recommendations put forward by the audits and assesses the follow up given by the Director in order to close the recommendations.

European Court of Auditors (ECA) audits

The European Court of Auditors published its final audit report on the annual accounts of the EIT for the financial year 2011 on 15 December 2012⁶. In the statement of assurance section of the report, the Court of Auditors expressed its opinion on the reliability of the accounts and on the legality and regularity of transactions underlying the accounts. In the opinion of the ECA, "the transactions underlying the annual accounts of the Institute for the financial year ended 31 December 2011 are legal and regular in all material respects". The ECA provided the following two comments on the budgetary and financial management of the EIT:

- The rate of execution of the Institute's budget for the audited period of financial autonomy was low. Comparing payments with appropriations committed, the rate was 56 % for Title I (staff expenditure), 30 % for Title II (administrative expenditure) and 11 % for Title III (operational expenditure).
- Grant agreements resulting in payments in 2011 were systematically signed by the European Commission (Directorate-General for Education and Culture) and the EIT after most of the activities had already been implemented. This is an issue in terms of good financial management.

⁶ OJ C 388, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2012:388:0110:0115:EN:PDF>

Acting upon the recommendation of the ECA, in order to improve budget execution, the EIT has introduced a monthly reporting on budget implementation and a review process for assessing in detail the implementation of the budget and the EIT work programme, thereby formulating corrective and reorientation actions in due course throughout the year. As a result, the rate of execution in the financial year 2012 compared to 2011 has increased from 97,21% to 97,74% for commitment appropriations, from 83,83% to 90,00% for payment appropriations and from 67,33% to 74,74% for payments against commitments..

The EIT acknowledged the comment of the ECA as regards late signature of grant agreements and committed itself to decrease the gap between the starting date of the grant agreements and the date of signature. The gap was reduced from 2010 to 2012 (i.e. the Grant Agreement 2012 was signed in March and early April 2012 with the KICs compared to end April to May 2011). Also, the EIT, in cooperation with the KICs, established a roadmap, including the issuance of templates for business plan and reports, in order to sign the Grant Agreements 2013 in early 2013. As a result of these efforts, the Grant Agreements 2013 were signed with the three KICs on 15 February 2013.

The Court of Auditors carried out an audit mission from 8 to 12 October 2012 in respect of the financial year 2012 and issued a letter summarising the preliminary findings on 14 November 2012. The EIT formally replied to the preliminary findings of the ECA by letter of 28 January 2013. The final audit mission took place between 13 and 17 May 2013. EIT received the preliminary observations of the Court on 29 May and started the contradictory procedure.

Internal Audit Service (IAS) and Internal Auditing Function (IAF) audits

The Internal Audit Service carried out a “limited review” mission from 12 to 16 November 2012. The objective of the limited review engagement was to provide the EIT Director and the Governing Board with an independent assessment on the design adequacy of the internal control systems related to preparation of annual Grant Agreements. The IAS issued a draft limited review report on 19 February 2013. The EIT formally replied to the draft report by letter of 19 March 2013. The IAS, in its draft report, formulated recommendations in order to improve the EIT’s procedures for reviewing the KICs’ business plans, to mitigate the potential risk of conflict of interest and to devise a control strategy that ensures the balance between flexibility and accountability. The IAS issued its final report on 30 April 2012 whereby its Director General confirmed that the action plan proposed by the EIT Director adequately covers all the risks.

The Internal Audit Function (IAF) of the EIT carried out three audits in 2012 in the following areas:

- Risk management in the EIT
- Monitoring of activities in the EIT
- Governance and decision making in the EIT

The IAF, who resigned as from 31 December 2012 as mentioned in Part 2, has not submitted an annual internal audit report pursuant to Article 72 (4) of the EIT Financial Rules to the Director, therefore the results from his audits mentioned below are based on the final audit reports provided to the EIT Governing Board and the Director.

The final audit report on “Risk management in the EIT” was issued on 4 October 2012. In its final report the IAF highlighted deficiencies and recommended improvements in the EIT-wide risk

management process, the appropriateness of the risk registers and in some related fields such as fraud prevention and strategic planning. The EIT Management adopted an action plan in response to the final audit report in December 2012 and launched actions to remedy the deficiencies identified by the IAF. Five out of nine actions have been fully completed and another three ones have been partially completed by end of May 2013 as confirmed by the Audit Committee at its first inaugural meeting. For further information on the risk management framework and risk management activities in the EIT in 2012, please refer to section 2.1.4.

The final audit report on “Monitoring of activities in the EIT” was issued on 30 December 2012. In its final audit report the IAF highlighted deficiencies and recommended improvements in the process for continuous monitoring of the KICs, the development of performance indicators for the KICs and the IT systems for providing reliable information on KICs. The EIT Management adopted an action plan to remedy the deficiencies identified in February 2013. All three actions are on-going as at the end of May 2013 and coincide with actions linked to the IAS Limited Review adequately covering all risks.

Finally, the Internal Audit Function issued a draft audit report on the “Governance and Decision Making” on 22 November 2012. However, due to the departure of the Internal Auditor on 30 November 2012 the EIT did not have a chance to discuss the preliminary audit findings with the Internal Auditor and to provide formal comments on them. Therefore, the EIT Director – following consultation with the Audit Committee of the Governing Board – has decided to keep this audit report open until the nomination of a new Internal Auditor who will be in a position to finalise the procedure and issue a final audit report in compliance with the established rules. Nevertheless, the EIT has pragmatically prepared also an action plan in February 2013 to address the preliminary audit findings which highlight some deficiencies in the grant management process, the IT governance, the monitoring of declarations of absence of conflict of interest and the monitoring of sensitive functions in the EIT. The actions are on-going as at the end of May 2013.

3.1.3 Building block 3: Follow-up of reservations and action plans for audits from previous years

There were no reservations in the Annual Activity Report for the year 2011. No action plans were established prior to 2012, as no final audit report was issued in 2010 or 2011. Therefore, this part is not applicable.

3.1.4 Building block 4: Assurance received from other Authorising Officers in cases of crossed delegation

This part is not applicable.

3.1.5 Completeness and reliability of the information reported in the building blocks and conclusion on overall assurance

In Parts 2 and 3.1. above, the EIT has provided accurate and exhaustive information to the best of its knowledge.

3.1.6 Reservations

The information reported under Building Blocks 1 to 4 does not result in any major issues meriting a reservation.

3.1.7 Overall conclusions on the combined impact of the reservations on the declaration as a whole

As no reservation is made, this part is not applicable.

Part 4 – Declaration of assurance

I, the undersigned, José Manuel Leceta

Director of the European Institute of Innovation and Technology

In my capacity as authorising officer

Declare that the information contained in this report gives a true and fair view.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the internal audit capability, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the European Institute of Innovation and Technology.

Budapest, 15th June 2012

signed

*José Manuel Leceta
Director*

Annexes

Annex 1: Human resources and organigramme

In 2012 the EIT recruited 16 staff members, which brought the number of staff to 47 on 31 December 2012. This means an increase of 17,5 % (from 40 at 31 December 2011). As a result, at the end of the year the EIT had a full Establishment Plan (all TA posts filled) and in total 5 posts (2 CA and 3 SNE) were vacant.

Regarding the possibility to modify the Establishment Plan by up to 20% of the posts authorized, the EIT made use of the derogation granted under Article 32(1) of the EIT Financial Rules. The reason for this is the difficulty of the EIT in attracting highly qualified staff for core tasks, such as the post of KICs Project Officers and the Head of Unit KIC Operations, the latter having been unsuccessfully published several times. Furthermore, in certain cases the same, strategically important tasks are executed by Contract Agents and Temporary Agents, which is considered as unfair treatment and could lead to conflicts.

The below data refers to the snapshot of the EIT personnel actually employed as of 31 December 2012.

Establishment plan posts

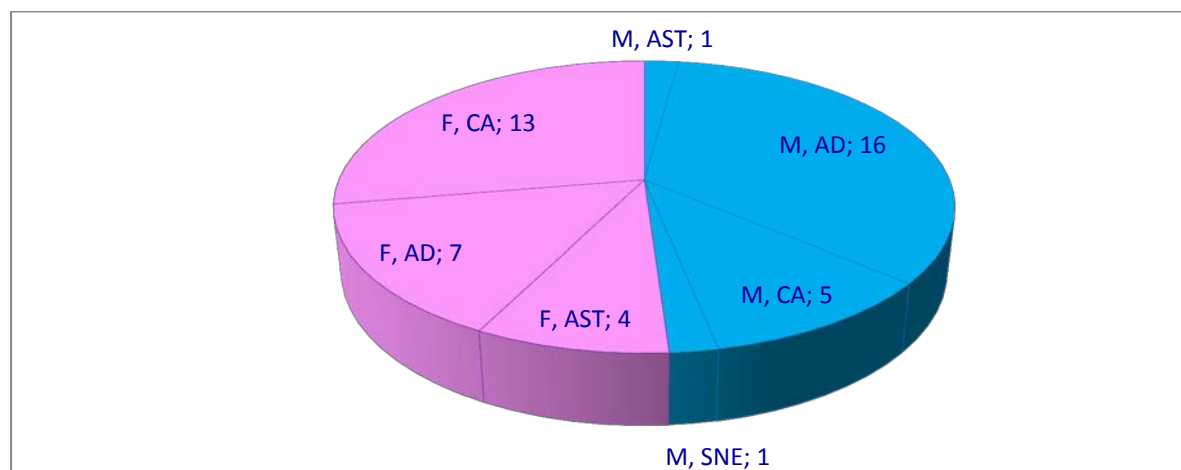
Category and grade	Establishment plan in EU Budget 2012	Modifications in 2012 in application of the flexibility rule ⁷	EIT staff actually employed at 31 December 2012
AD 16			
AD 15			
AD 14	1	1	1
AD 13			
AD 12	1		
AD 11		2	2
AD 10	1	1	
AD 9	3	3	3
AD 8	8	8	5
AD 7	2	2	1
AD 6	4	5	10
AD 5	1	1	1
Total AD	21	23	23
AST 11			
AST 10			
AST 9			
AST 8			
AST 7			
AST 6			
AST 5	1	1	
AST 4	3	1	2
AST 3	3	3	3
AST 2			
AST 1			
Total AST	7	5	5
TOTAL	28	28	28

⁷ In line with Article 32 (1) of the framework Financial Regulation, the Governing Board may modify, under certain conditions, the establishment plan by in principle up to 10% of posts authorized, unless the financial rules of the body concerned allows for a different % rate. In the case of the EIT it is 20% of posts authorized.

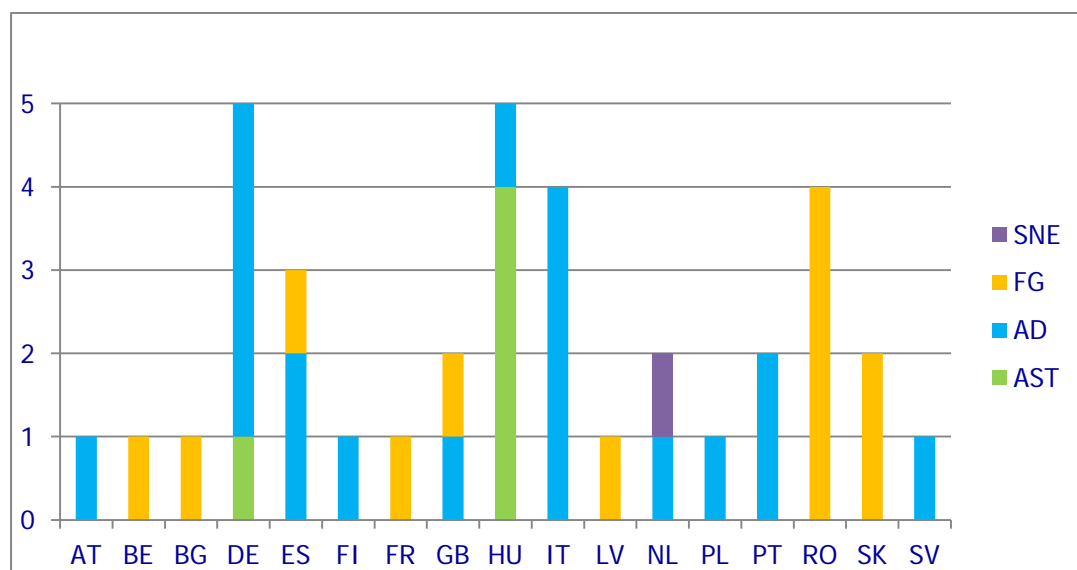
External personnel

Category and grade	Posts envisaged in EU Budget 2012	Posts actually filled at 31 December 2012
Contract agents		
Function Group IV	5	4
Function Group III	10	8
Function Group II	5	6
Function Group I		
Total – contract agents	20	18
Seconded National Expert (SNE)	4	1
TOTAL	24	19

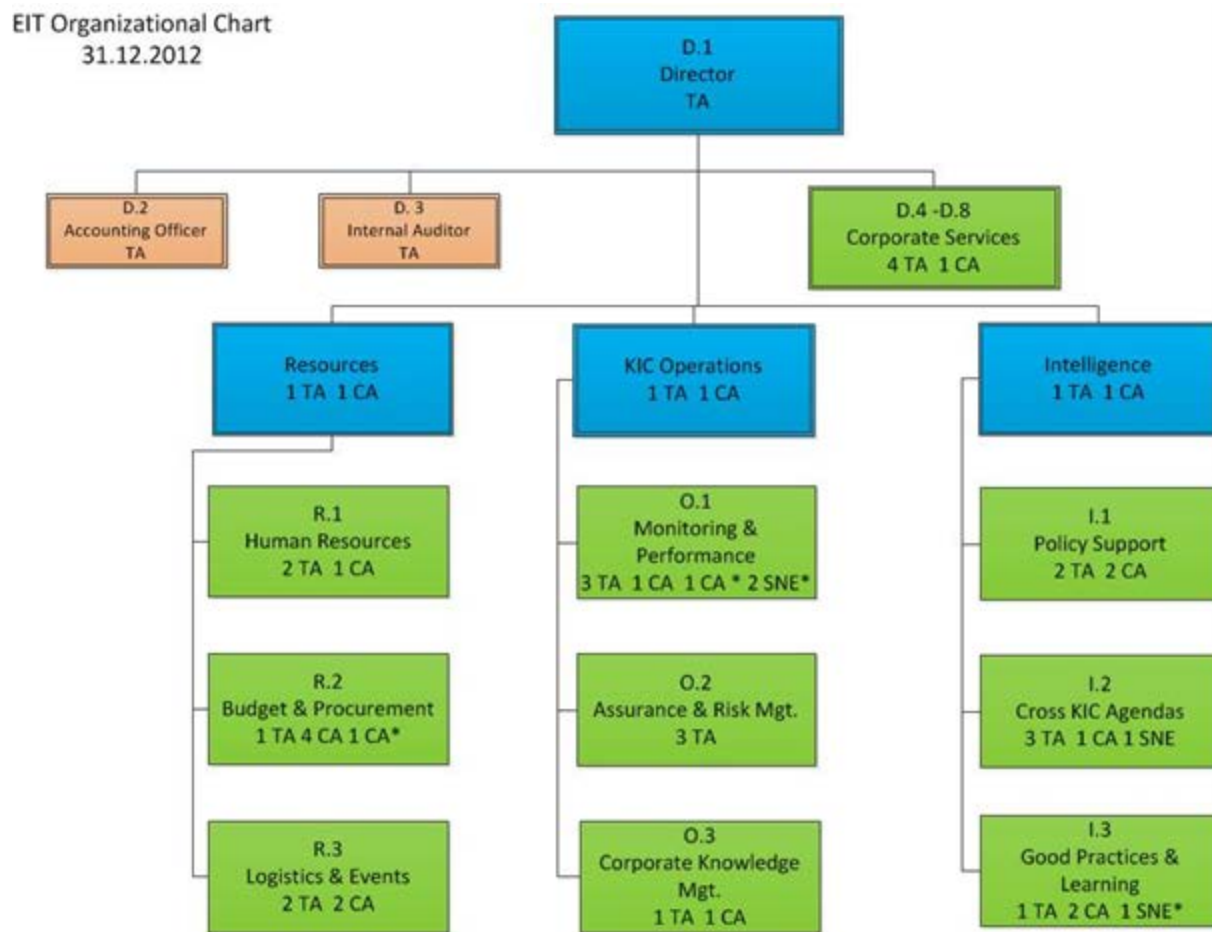
Gender balance per contract type (M=male, F=female)



Nationalities per contract type



EIT Organizational Chart
31.12.2012



*vacant post

Annex 2: Information on the members of the EIT Governing Board and Executive Committee

According to EIT Governing Board Decision of 17 October 2008 the honoraria of the members of the Governing Board, its chairperson and the members of the Executive Committee is

- 2,000 EUR per meeting for each Board member;
- 3,500 EUR per meeting for each Executive Committee member; and
- 5,000 EUR per meeting for the Chairperson.

Name	Function	ExCo meetings	GB meetings
		Total number of meetings in 2012: 4	Total number of meetings in 2012: 4
Period: 1 January – 30 June 2012			
CARAÇA João Manuel Gaspar	Appointed GB Member	-	2
CASTELLS Manuel	Appointed GB Member	-	0
COLLOMB Bertrand	Appointed GB Member	-	2
COLOMBO Giovanni	Appointed GB Member & Executive Committee Member	2	2
DE BRABANDER Ellen	Appointed GB Member	-	2
FLODSTRÖM Anders	Vice Chairman of GB & Executive Committee Member	2	2
KING Julia Elizabeth	Appointed GB Member	-	2
LOKTU Morten	Appointed GB Member	-	1
MAGYAR Bálint	Appointed GB Member	-	2
MÖLLER Erna	Appointed GB Member	-	0
NEUVO Yrjö	Appointed GB Member & Executive Committee Member	1	2

Period: 1 July – 31 December 2012			
BOJAR Gabor	Appointed GB Member	-	2
GARANA María	Appointed GB Member	-	2
JOHANSSON Ulf	Appointed GB Member	-	2
KERAVNOU-PAPAILIOU Elpida	Appointed GB Member	-	1
KOLAR Jana	Appointed GB Member	-	2
MAKAROW Marja	Appointed GB Member	-	2
OLESEN Peter	Appointed GB Member	-	2
PRENDERGAST Patrick	Appointed GB Member	-	2
REVELLIN-FALCOZ Bruno	Appointed GB Member since July 2012, Executive Committee Member since September 2012	2	2
ROCCA Gianfelice	Appointed GB Member	-	2
THRIFT Nigel	Appointed GB Member	-	2
VAN DER VEER Jeroen	Appointed GB Member since July 2012, Executive Committee Member since September 2012	0	1
Period: 1 January – 31 December 2012			
GOLEBIOWSKA-TATAJ Daria	Appointed GB Member & Executive Committee Member	4	4
HERRMANN Wolfgang	Appointed GB Member	-	4
MAEX Karen	Appointed GB Member & Member of the Executive Committee since September 2012	2	4
TROPSCHUH Peter F.	Appointed GB Member	-	4
VIIK Linnar	Appointed GB Member	-	3

VON GABAIN Alexander	Chairman of GB, appointed GB Member	4	4
LAMMASNIEMI Jorma	Representative GB Member	-	4
PATTE Christine	Representative GB Member	-	3
SAUQUET Alfons	Representative GB Member	-	4
STERN Nicholas	Representative GB Member	-	0

Annex 3: Financial resources (Draft annual accounts and financial reports 2012)

ECONOMIC OUTTURN ACCOUNT		
31.12.2011		
	01.01.2012 31.12.2012	08.06.2011 31.12.2011
Subsidy of the Commission	68 697 863,00	8 234 873,70
Host state contribution	1 926 227,38	1 193 772,62
Revenues from admin operations - fixed asset income	0,00	164 623,27
Other operating revenue	29 421,19	41 745 480,08
TOTAL OPERATING REVENUE	70 653 511,57	51 338 749,67
Staff expenses	2 668 380,47	1 414 489,43
Fixed asset related expenses	74 730,18	20 547,95
Other administrative expenses	1 143 400,47	1 154 407,84
Operational expenses	85 579 605,15	51 724 786,35
TOTAL ADMINISTRATIVE AND OPERATIONAL EXPENSES	89 466 116,27	54 314 231,57
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	(18 812 604,70)	(2 975 481,90)
Financial operations revenues	24 405,91	22 013,24
Financial operations expenses	4 124,91	99,19
SURPLUS/ (DEFICIT) FROM FINANCIAL ACTIVITIES	20 281,00	21 914,05
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES	(18 792 323,70)	(2 953 567,85)
Extraordinary gains	0,00	0,00
Extraordinary losses	0,00	0,00
SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS	0,00	0,00
ECONOMIC RESULT OF THE YEAR	(18 792 323,70)	(2 953 567,85)

BALANCE SHEETS 31.12.2011		
ASSETS		
	31.12.2012	31.12.2011
A. NON CURRENT ASSETS		
Intangible fixed assets	30 043,00	43 953,00
Tangible fixed assets	171 166,00	162 908,00
Land and buildings	0,00	0,00
Plant and equipment	351,00	651,00
Computer hardware	78 480,00	76 240,00
Furniture and vehicles	70 434,00	59 891,00
Other fixtures and fittings	21 901,00	26 126,00
Tangible fixed assets under construction	0,00	0,00
Long-term receivables	1 135,14	50 000,00
Long-term pre-financing	1 135,14	50 000,00
Long-term receivables with consolidated EC entities	0,00	0,00
TOTAL NON CURRENT ASSETS	202 344,14	256 861,00
B. CURRENT ASSETS		
Stock	0,00	0,00
Short-term receivables	154 926,03	6 518 937,16
Short term prefinancing	96 103,55	6 480 930,34
Current receivables	39 088,52	23 022,40
Long term receivables falling due within a year	0,00	0,00
Sundry receivables	14 537,88	4 817,85
Prepaid expenses and accrued income	5 196,08	10 166,57
Cash and cash equivalents	8 215 647,36	3 011 418,01
TOTAL CURRENT ASSETS	8 370 573,39	9 530 355,17
TOTAL	8 572 917,53	9 787 216,17

CAPITAL AND LIABILITIES

	31.12.2012	31.12.2011
A. CAPITAL		
Accumulated surplus/deficit	(2 953 567,85)	0,00
Economic result of the year	(18 792 323,70)	(2 953 567,85)
TOTAL CAPITAL	(21 745 891,55)	(2 953 567,85)
B. NON CURRENT LIABILITIES		
Provisions for risks and liabilities	0,00	0,00
Long-term liabilities with consolidated entities	0,00	0,00
TOTAL NON CURRENT LIABILITIES	0,00	0,00
C. CURRENT LIABILITIES		
Provisions for risks and liabilities	48 279,17	66 946,55
Accounts payable	30 270 529,91	12 673 837,47
Current payables	43 634,51	440 255,43
Long-term liabilities falling due within the year	0,00	0,00
Sundry payables	509,22	36 018,23
Accrued expenses and deferred income	30 226 386,18	12 197 563,81
Accounts payable with consolidated EC entities	0,00	0,00
TOTAL CURRENT LIABILITIES	30 318 809,08	12 740 784,02
TOTAL	8 572 917,53	9 787 216,17

CASH FLOW STATEMENT	01.01.2012 31.12.2012	08.06.2011 31.12.2011
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	-18 792 323,70	-2 953 567,85
Operating activities		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +	13 910,00	12 431,15
Depreciation (tangible fixed assets) +	60 820,18	84 847,94
Increase/(decrease) in Provisions for risks and liabilities	-18 667,38	66 946,55
Increase/(decrease) in Value reduction for doubtful debts	0,00	0,00
(Increase)/decrease in Stock	0,00	0,00
(Increase)/decrease in Long term Pre-financing	0,00	-50 000,00
(Increase)/decrease in Short term Pre-financing	6 434 826,79	-6 518 937,16
(Increase)/decrease in Long term Receivables	-1 135,14	0
(Increase)/decrease in Short term Receivables	-20 815,66	0,00
(Increase)/decrease in Receivables related to consolidated EU entities	0,00	0,00
Increase/(decrease) in Other Long term liabilities	0,00	0,00
Increase/(decrease) in Accounts payable	17 596 692,44	12 673 837,47
Increase/(decrease) in Liabilities related to consolidated EU entities	0,00	0,00
Other non-cash movements	0,00	0,00
Net cash Flow from operating activities	5 273 307,53	3 315 558,10

Cash Flows from investing activities		
Increase of tangible and intangible fixed assets (-)	-69 078,18	-304 140,09
Proceeds from tangible and intangible fixed assets (+)		
Net cash flow from investing activities	-69 078,18	-304 140,09

Net increase/(decrease) in cash and cash equivalents	5 204 229,35	3 011 418,01
Cash and cash equivalents at the beginning of the period	3 011 418,01	0,00
Cash and cash equivalents at the end of the period	8 215 647,36	3 011 418,01

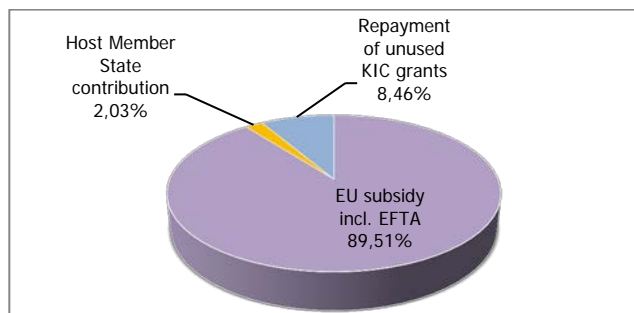
BUDGET OUTTURN ACCOUNT FOR THE FINANCIAL YEAR 2012			
		2012	2011
REVENUE			
Commission subsidy (for the operating budget -Titles 1,2 and 3 - of the agency)	+	68 697 863,00	8 234 873,70
Host Member State contribution	+	1 560 000,00	1 560 000,00
Other income	+	6 491 387,95	
TOTAL REVENUE (a)		76 749 250,95	9 794 873,70
EXPENDITURE			
<i>Title I: Staff</i>			
Payments	-	2 576 115,37	1 648 785,32
Appropriations carried over	-	299 023,27	578 223,06
<i>Title II: Administrative Expenses</i>			
Payments	-	557 130,00	568 259,83
Appropriations carried over	-	336 590,05	492 062,22
<i>Title III: Operating Expenditure</i>			
Payments	-	67 511 192,71	4 508 131,06
Appropriations carried over	-	6 433 823,80	3 778 942,31
TOTAL EXPENDITURE (b)		77 713 875,20	11 574 403,80
OUTTURN FOR THE FINANCIAL YEAR (a-b)		-964 624,25	-1 779 530,10
Cancellation of unused payment appropriations carried over from previous year	+	4 019 561,76	0,00
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	+	366 227,38	0,00
Exchange differences for the year (gain +/-loss -)	+/-	-32 714,76	-45 425,71
BALANCE OF THE OUTTURN ACCOUNT FOR THE FINANCIAL YEAR		3 388 450,13	-1 824 955,81
Balance year N-1	+/-	-1 824 955,81	
Positive balance from year N-1 reimbursed in year N to the Commission	-	0,00	
Result used for determining amounts in general accounting		1 563 494,32	-1 824 955,81

RECONCILIATION OF THE BUDGETARY AND ECONOMIC OUTTURN

Economic result	-18.792.323,70
Adjustments for accrual cut off reversal 31.12.N-1	-11.831.336,43
Adjustments for accrual cut off reversal 31.12.N	30.226.386,18
Unpaid invoices at year end but booked in charges	-432.129,93
Depreciation of intangible and tangible assets	74.730,18
Provisions	-18.667,38
Payments made from carry over and payment appropriations	829.665,83
Interest received	-24.405,91
Financial expenses paid	4.124,91
Other revenue	-1.635,00
Asset acquisitions	-69.078,18
New pre-financing paid in 2012 and remaining open as 31.12.2012	0,00
Pre-financing open at the end of 2011 and paid in 2012	6.480.930,34
Additional Pre-financing 2011 collected from KIC	10.457,61
Payment appropriations carried over	-7.069.437,07
Cancellation of unused carried over payment appropriations from previous year	4.019.561,76
Accrued income/ Deferred Charges	4.970,49
Exchange rate differences according EOA	-7.725,01
Exchange rate differences according BOA	-32.714,76
Others	17.076,20
Total	3.388.450,13
Budgetary result	3.388.450,13

Revenue

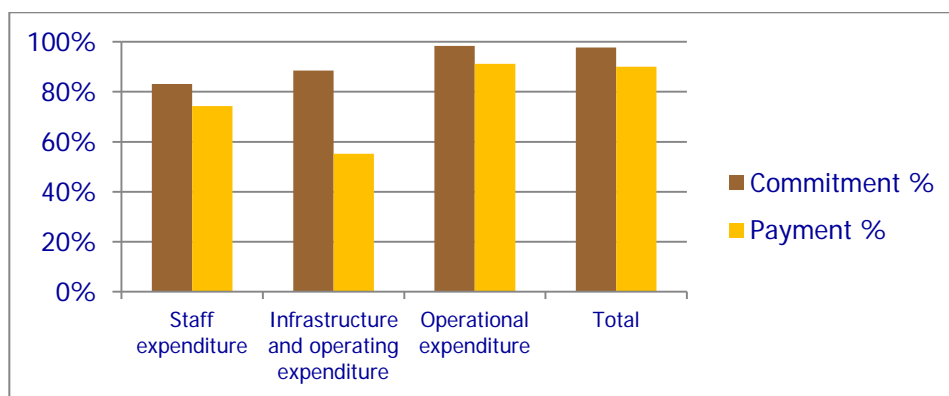
Type of revenue	Revenue Budget (1)	Entitlements established (2)	Revenue received (3)	%, 3/1	%, 3/2
Commission subsidy incl. EFTA	70 467 350,00	68 697 863,00	68 697 863,00	97,49%	100,00%
Host Member State contribution	1 560 000,00	1 560 000,00	1 560 000,00	100,00%	100,00%
Other revenue	6 465 229,00	6 493 080,81	6 491 387,95	100,40%	99,97%
Total	78 492 579,00	76 750 943,81	76 749 250,95	97,78%	100,00%



Expenditure

Summary of the implementation of the budget (C1, R0 and C4)

Budget Title	Heading	Commitment appropriations			Payment appropriations			% (5/2)	R A L (2-5)
		Final budget (1)	Committed Amount (2)	% (2/1)	Payment appropriations (4)	Paid amount(5)	% (5/4)		
Title 1	Staff expenditure	3 466 100,00	2 881 505,18	83,13 %	3 466 100,00	2 576 115,37	74,32 %	89,40 %	305 389,81
Title 2	Infrastructure and operating expenditure	1 010 390,00	893 720,05	88,45 %	1 010 390,00	557 130,00	55,14 %	62,34 %	336 590,05
Total Title 1 and 2 - Administrative expenditure		4 476 490,00	3 775 225,23	84,33 %	4 476 490,00	3 133 245,37	69,99 %	82,99 %	641 979,86
Title 3	Operational expenditure	92 227 130,08	90 740 484,04	98,39 %	74 016 089,08	67 511 192,71	91,21 %	74,40 %	23 229 291,33
TOTAL		96 703 620,08	94 515 709,27	97,74 %	78 492 579,08	70 644 438,08	90,00 %	74,74 %	23 871 271,19



Implementation of the commitment and payment appropriations (C1)

Budget item	Heading	Commitment appropriations (1)	Committed Amount (2)	% (2/1)	Payment appropriations (4)	Paid (5)	% (5/4)	R A L (2-5)
A-1100	Basic salaries including weightings	551 209,00	340 063,26	61,69 %	551 209,00	340 063,26	61,69 %	0,00
A-1101	Allowances	160 867,00	117 702,45	73,17 %	160 867,00	117 702,45	73,17 %	0,00
A-1102	Employers charges	40 180,00	32 534,82	80,97 %	40 180,00	32 534,82	80,97 %	0,00
A-1110	Remuneration and allowances of contract agents	273 558,00	68 823,05	25,16 %	273 558,00	68 823,05	25,16 %	0,00
A-1130	Schooling	90 000,00	61 271,22	68,08 %	90 000,00	59 771,22	66,41 %	1 500,00
Total Chapter 11		1 115 814,00	620 394,80	55,60 %	1 115 814,00	618 894,80	55,47 %	1 500,00
A-1200	Recruitment expenses	38 900,00	31 188,61	80,18 %	38 900,00	29 688,61	76,32 %	1 500,00
A-1201	Entitlements related to entering transfer and leave	103 363,00	73 084,67	70,71 %	103 363,00	66 718,13	64,55 %	6 366,54
Total Chapter 12		142 263,00	104 273,28	73,30 %	142 263,00	96 406,74	67,77 %	7 866,54
A-1300	Mission expenses	281 321,00	281 321,00	100,00 %	281 321,00	206 668,20	73,46 %	74 652,80
Total Chapter 13		281 321,00	281 321,00	100,00 %	281 321,00	206 668,20	73,46 %	74 652,80
A-1400	Restaurant and canteen	400,00	0,00	0,00 %	400,00	0,00	0,00 %	0,00
A-1410	Medical expenses	4 100,00	4 000,00	97,56 %	4 100,00	1 849,63	45,11 %	2 150,37
A-1420	Early childhood centre and approved day nurseries	23 500,00	23 500,00	100,00 %	23 500,00	21 972,25	93,50 %	1 527,75
A-1430	Social contacts among staff members	5 000,00	5 000,00	100,00 %	5 000,00	1 440,00	28,80 %	3 560,00
A-1490	Other social expenses	0,00	0,00		0,00			
Total Chapter 14		33 000,00	32 500,00	98,48 %	33 000,00	25 261,88	76,55 %	7 238,12
A-1500	Training	128 500,00	81 921,98	63,75 %	128 500,00	31 326,25	24,38 %	50 595,73
Total Chapter 15		128 500,00	81 921,98	63,75 %	128 500,00	31 326,25	24,38 %	50 595,73
A-1601	Seconded National Expert	8 000,00	5 000,00	62,50 %	8 000,00	3 848,72	48,11 %	1 151,28
A-1603	IT support	60 000,00	60 000,00	100,00 %	60 000,00	0,00	0,00 %	60 000,00
A-1604	Administrative assistance	119 502,00	119 502,00	100,00 %	119 502,00	25 647,66	21,46 %	93 854,34
A-1610	Interpretation	0,00	0,00		0,00			
A-1611	Translation	15 000,00	15 000,00	100,00 %	15 000,00	7 469,00	49,79 %	7 531,00
Total Chapter 16		202 502,00	199 502,00	98,52 %	202 502,00	36 965,38	18,25 %	162 536,62
A-1700	Representation expenses	2 700,00	1 592,12	58,97 %	2 700,00	592,12	21,93 %	1 000,00
Total Chapter 17		2 700,00	1 592,12	58,97 %	2 700,00	592,12	21,93 %	1 000,00
Total Title 1		1 906 100,00	1 321 505,18	69,33 %	1 906 100,00	1 016 115,37	53,31 %	305 389,81
A-2000	Renting	0,00	0,00		0,00			
A-2010	Building insurance	0,00	0,00		0,00			
A-2020	Water gas electricity and heating	30 000,00	25 000,00	83,33 %	30 000,00	0,00	0,00 %	25 000,00
A-2030	Cleaning and maintenance	12 040,00	11 652,70	96,78 %	12 040,00	5 719,39	47,50 %	5 933,31
A-2040	Security and surveillance	2 810,00	2 175,14	77,41 %	2 810,00	1 175,14	41,82 %	1 000,00
A-2050	Fitting out of premises	12 500,00	12 233,99	97,87 %	12 500,00	12 233,99	97,87 %	0,00
A-2090	Other expenditure related to the buildings	15 700,00	14 740,65	93,89 %	15 700,00	7 780,54	49,56 %	6 960,11
Total Chapter 20		73 050,00	65 802,48	90,08 %	73 050,00	26 909,06	36,84 %	38 893,42
A-2100	Acquisition renting of equipments and software	142 000,00	106 025,96	74,67 %	142 000,00	54 047,40	38,06 %	51 978,56
A-2101	Maintenance and repair of equipments	103 990,00	103 852,65	99,87 %	103 990,00	80 864,76	77,76 %	22 987,89
Total Chapter 21		245 990,00	209 878,61	85,32 %	245 990,00	134 912,16	54,84 %	74 966,45
A-2200	Acquisition rental of general and technical equipm	6 600,00	5 530,38	83,79 %	6 600,00	5 530,38	83,79 %	0,00
A-2201	Maintenance and repair of general and technical eq	550,00	490,73	89,22 %	550,00	490,73	89,22 %	0,00
A-2212	Transport cost	1 000,00	500,00	50,00 %	1 000,00	419,65	41,97 %	80,35
A-2220	Acquisition rental of furniture	65 000,00	64 408,47	99,09 %	65 000,00	32 717,42	50,33 %	31 691,05
A-2221	Repair of furniture	0,00	0,00		0,00			
Total Chapter 22		73 150,00	70 929,58	96,96 %	73 150,00	39 158,18	53,53 %	31 771,40
A-2300	Stationery and office supplies	26 000,00	11 706,55	45,03 %	26 000,00	8 144,75	31,33 %	3 561,80
A-2310	Postage and delivery charges	11 000,00	2 634,80	23,95 %	11 000,00	2 134,80	19,41 %	500,00
A-2320	Telecommunication charges	44 000,00	44 000,00	100,00 %	44 000,00	33 096,90	75,22 %	10 903,10
A-2330	Legal expenses and damages	80 000,00	56 008,50	70,01 %	80 000,00	24 130,20	30,16 %	31 878,30
A-2340	Handling and moving	1 000,00	602,06	60,21 %	1 000,00	602,06	60,21 %	0,00
A-2350	Bank charges	2 700,00	241,06	8,93 %	2 700,00	141,06	5,22 %	100,00
A-2360	Honoraria for Governing and Executive Committee Me	180 000,00	180 000,00	100,00 %	180 000,00	127 000,00	70,56 %	53 000,00
A-2390	Other administrative expenses	2 500,00	625,00	25,00 %	2 500,00	376,48	15,06 %	248,52
Total Chapter 23		347 200,00	295 817,97	85,20 %	347 200,00	195 626,25	56,34 %	100 191,72
A-2400	Official Journal	5 500,00	5 500,00	100,00 %	5 500,00	0,00	0,00 %	5 500,00
A-2410	Purchase information	3 500,00	867,18	24,78 %	3 500,00	0,00	0,00 %	867,18
Total Chapter 24		9 000,00	6 367,18	70,75 %	9 000,00	0,00	0,00 %	6 367,18
A-2500	Organisation of Governing Board and Executive Comm	31 000,00	26 741,16	86,26 %	31 000,00	9 638,71	31,09 %	17 102,45
A-2501	Travel expenses of Governing Board and Executive C.	223 865,00	215 795,00	96,40 %	223 865,00	149 235,66	66,66 %	66 559,34
A-2520	Internal meetings	5 500,00	2 388,07	43,42 %	5 500,00	1 649,98	30,00 %	738,09
Total Chapter 25		260 365,00	244 924,23	94,07 %	260 365,00	160 524,35	61,65 %	84 399,88
Total Title 2		1 008 755,00	893 720,05	88,60 %	1 008 755,00	557 130,00	55,23 %	336 590,05

Budget item	Heading	Commitment appropriations	Committed Amount (2)	% (2/1)	Payment appropriations	Paid (5)	% (5/4)	R A L (2-5)
B3-000	KIC Grants	84 698 949,24	83 478 702,14	98,56 %	66 559 208,24	60 495 528,76	90,89 %	22 983 173,38
	Total Chapter 30	84 698 949,24	83 478 702,14	98,56 %	66 559 208,24	60 495 528,76	90,89 %	22 983 173,38
B3-110	KIC monitoring and performance measurement	162 000,00	159 850,00	98,67 %	67 000,00	0,00	0,00 %	159 850,00
B3-120	Entrepreneurship activities	85 000,00	42 700,23	50,24 %	115 960,00	83 582,34	72,08 %	-40 882,11
B3-130	Educational activities	15 100,00	14 168,60	93,83 %	32 900,00	32 900,00	100,00 %	-18 731,40
B3-140	EIT Foundation	0,00			50 000,00	25 000,00	50,00 %	-25 000,00
B3-150	Experts	106 000,00	82 028,03	77,38 %	78 000,00	21 002,67	26,93 %	61 025,36
B3-151	Legal assistance	65 000,00	64 988,00	99,98 %	62 500,00	20 480,00	32,77 %	44 508,00
B3-190	Other KIC related activities	13 000,00	2 407,86	18,52 %	5 640,00	2 453,49	43,50 %	-45,63
	Total Chapter 31	446 100,00	366 142,72	82,08 %	412 000,00	185 418,50	45,00 %	180 724,22
B3-200	Communication tools	222 000,00	174 083,15	78,42 %	183 500,00	99 940,10	54,46 %	74 143,05
B3-201	Media affairs	0,00			0,00			0,00
B3-202	Communication strategy and corporate identity	150 000,00	147 974,45	98,65 %	136 000,00	12 780,58	9,40 %	135 193,87
B3-203	EIT brand events conferences	190 000,00	160 781,06	84,62 %	229 000,00	225 100,37	98,30 %	-64 319,31
	Total Chapter 32	562 000,00	482 838,66	85,91 %	548 500,00	337 821,05	61,59 %	145 017,61
B3-300	Strategy development	60 000,00	59 900,00	99,83 %	8 500,00	4 543,56	53,45 %	55 356,44
B3-301	Stakeholder relations	18 500,00	13 129,66	70,97 %	46 300,00	46 300,00	100,00 %	-33 170,34
	Total Chapter 33	78 500,00	73 029,66	93,03 %	54 800,00	50 843,56	92,78 %	22 186,10
	Total Title 3	85 785 549,24	84 400 713,18	98,39 %	67 574 508,24	61 069 611,87	90,37 %	23 331 101,31
	Total	88 700 404,24	86 615 938,41	97,65 %	70 489 363,24	62 642 857,24	88,87 %	23 973 081,17

Implementation of the commitment and payment appropriations (C4)

Budget item	Heading	Commitment appropriations (1)	Committed Amount (2)	% (2/1)	Payment appropriations (4)	Paid amount(5)	% (5/4)
A-2501	Travel expenses of Governing Board and Executive Committee	1 635,00	0,00	0,00 %	1 635,00	0,00	0,00 %
B3-000	KIC Grants	6 441 580,84	6 339 770,86	98,42 %	6 441 580,84	6 441 580,84	100,00 %
	Total	6 443 215,84	6 339 770,86	98,39%	6 443 215,84	6 441 580,84	99,97%

Implementation of the commitment and payment appropriations (C2)

Budget item	Heading	Commitment appropriations (1)	Committed Amount (2)	% (2/1)	Payment appropriations (4)	Paid amount (5)	% (5/4)
B3-000	KIC Grants	0,00			3 470 700,00	0,00	0,00 %
	Total Chapter 30	0,00			3 470 700,00	0,00	0,00 %
B3-130	Educational activities	0,00			105 851,60	92 004,34	86,92 %
B3-140	EIT Foundation	0,00			50 432,22	0,00	0,00 %
	Total Chapter 31	0,00			156 283,82	92 004,34	58,87 %
B3-200	Communication tools	0,00			124 397,13	0,00	0,00 %
	Total Chapter 32	0,00			124 397,13	0,00	0,00 %
B3-301	Stakeholder relations	0,00			27 561,36	23 994,91	87,06 %
	Total Chapter 33	0,00			27 561,36	23 994,91	87,06 %
	TOTAL	0,00		Sum:	3 778 942,31	115 999,25	3,07%

Implementation of the commitment and payment appropriations (C8)

Budget item	Heading	Commitment appropriations (1)	Committed Amount (2)	% (2/1)	Paid (3)	Balance Commitment (1-2)	RAL (2-3)
A-1200	Recruitment expenses	30 000,00	20 961,35	69,87 %	20 961,35	9 038,65	0,00
	Total Chapter 12	30 000,00	20 961,35	69,87 %	20 961,35	9 038,65	0,00
A-1300	Mission expenses	51 613,67	38 040,17	73,70 %	38 040,17	13 573,50	0,00
	Total Chapter 13	51 613,67	38 040,17	73,70 %	38 040,17	13 573,50	0,00
A-1400	Restaurants and canteens	2 132,00	1 872,95	87,85 %	1 872,95	259,05	0,00
A-1430	Social contacts among staff members	5 000,00	2 990,54	59,81 %	2 990,54	2 009,46	0,00
	Total Chapter 14	7 132,00	4 863,49	68,19 %	4 863,49	2 268,51	0,00
A-1500	Training	54 881,63	24 776,38	45,15 %	24 776,38	30 105,25	0,00
	Total Chapter 15	54 881,63	24 776,38	45,15 %	24 776,38	30 105,25	0,00
A-1603	IT support	12 960,00	12 960,00	100,00 %	12 960,00	0,00	0,00
A-1604	Administrative assistance	38 855,21	8 505,70	21,89 %	8 505,70	30 349,51	0,00
A-1611	Translation	14 885,00	0,00	0,00 %	0,00	14 885,00	0,00
	Total Chapter 16	66 700,21	21 465,70	32,18 %	21 465,70	45 234,51	0,00
A-1700	Representation expenses	1 668,17	388,44	23,29 %	388,44	1 279,73	0,00
	Total Chapter 17	1 668,17	388,44	23,29 %	388,44	1 279,73	0,00
	Total Title 1	211 995,68	110 495,53	52,12%	110 495,53	101 500,15	0,00
A-2020	Water gas electricity and heating	93 350,00	17 150,00	18,37 %	17 150,00	76 200,00	0,00
A-2030	Cleaning and maintenance	6 770,14	4 927,75	72,79 %	4 927,75	1 842,39	0,00
	Total Chapter 20	100 120,14	22 077,75	22,05 %	22 077,75	78 042,39	0,00
A-2100	Acquisition renting of equipments and software	99 916,10	99 593,17	99,68 %	99 593,17	322,93	0,00
A-2101	Maintenance and repair of equipments	49 914,32	39 418,72	78,97 %	39 418,72	10 495,60	0,00
	Total Chapter 21	149 830,42	139 011,89	92,78 %	139 011,89	10 818,53	0,00
A-2212	Transport cost	4 618,82	128,06	2,77 %	128,06	4 490,76	0,00
	Total Chapter 22	4 618,82	128,06	2,77 %	128,06	4 490,76	0,00
A-2300	Stationery and office supplies	572,00	502,01	87,76 %	502,01	69,99	0,00
A-2310	Postage and delivery charges	9 164,60	43,80	0,48 %	43,80	9 120,80	0,00
A-2320	Telecommunication charges	21 132,68	10 706,85	50,66 %	10 706,85	10 425,83	0,00
A-2340	Handling and moving	361,38	0,00	0,00 %		361,38	0,00
A-2350	Bank charges	900,96	0,00	0,00 %		900,96	0,00
A-2390	Other administrative expenses	3 113,51	3 072,61	98,69 %	3 072,61	40,90	0,00
	Total Chapter 23	35 245,13	14 325,27	40,64 %	14 325,27	20 919,86	0,00
A-2500	Organisation of Governing Board and Executive Comm	33 115,31	7 521,77	22,71 %	7 521,77	25 593,54	0,00
A-2501	Travel expenses of Governing Board and Executive C	167 725,13	53 223,82	31,73 %	53 223,82	114 501,31	0,00
A-2520	Internal meetings	1 407,27	655,11	46,55 %	655,11	752,16	0,00
	Total Chapter 25	202 247,71	61 400,70	30,36 %	61 400,70	140 847,01	0,00
	Total Title 2	492 062,22	236 943,67	48,15%	236 943,67	255 118,55	0,00
B3-000	KIC Grants	20 392 119,28	11 196 661,14	54,91 %	11 196 661,14	9 195 458,14	0,00
	Total Chapter 30	20 392 119,28	11 196 661,14	54,91 %	11 196 661,14	9 195 458,14	0,00
B3-120	Entrepreneurship activities	84 450,97	40 882,11	48,41 %	40 882,11	43 568,86	0,00
B3-130	Educational activities	171 090,60	125 320,94	73,25 %	124 620,94	45 769,66	700,00
B3-140	EIT Foundation	104 905,97	100 000,00	95,32 %	25 000,00	4 905,97	75 000,00
B3-150	Experts	29 062,72	3 745,64	12,89 %	3 745,64	25 317,08	0,00
B3-151	Legal assistance	500,00	0,00	0,00 %	0,00	500,00	0,00
B3-190	Other KIC related activities	5 154,40	45,63	0,89 %	45,63	5 108,77	0,00
	Total Chapter 31	395 164,66	269 994,32	0,89 %	194 294,32	125 170,34	75 700,00
B3-200	Communication tools	197 040,32	161 743,32	82,09 %	89 086,45	35 297,00	72 656,87
B3-203	EIT brand events conferences	136 036,51	84 819,49	62,35 %	84 819,49	51 217,02	0,00
	Total Chapter 32	333 076,83	246 562,81	74,03 %	173 905,94	86 514,02	72 656,87
B3-300	Strategy development	15 188,51	4 543,56	29,91 %	4 543,56	10 644,95	0,00
B3-301	Stakeholder relations	63 834,67	59 900,00	93,84 %	59 900,00	3 934,67	0,00
	Total Chapter 33	79 023,18	64 443,56	81,55 %	64 443,56	14 579,62	0,00
	Total Title 3	21 199 383,95	11 777 661,83	55,56%	11 629 304,96	9 421 722,12	148 356,87
	TOTAL	21 903 441,85	12 125 101,03	55,36%	11 976 744,16	9 778 340,82	148 356,87

Implementation of the commitment and payment appropriations (R0)

Appropriations from assigned revenue (R0)

Budget item	Heading	Commitment appropriations (1)	Committed Amount (2)	% (2/1)	Payment appropriations (4)	Paid (5)	% (5/4)	R A L (2-5)
A-1100	Basic salaries including weightings	900 000,00	900 000,00	100,00 %	900 000,00	900 000,00	100,00 %	0,00
A-1101	Allowances	250 000,00	250 000,00	100,00 %	250 000,00	250 000,00	100,00 %	0,00
A-1102	Employers charges	50 000,00	50 000,00	100,00 %	50 000,00	50 000,00	100,00 %	0,00
A-1110	Remuneration and allowances of contract agents	360 000,00	360 000,00	100,00 %	360 000,00	360 000,00	100,00 %	0,00
Total		1 560 000,00	1 560 000,00	100,00 %	1 560 000,00	1 560 000,00	100,00 %	0,00

Appropriations from assigned revenue carried over automatically from 2011 to 2012 (R0)

Budget item	Heading	Commitment appropriations (1)	Committed Amount (2)	% (2/1)	Paid (3)	Balance Commitment (1-2)	RAL (2-3)
A-1100	Basic salaries including weightings	124 242,29	124 242,29	100,00 %	124 242,29	0,00	0,00
A-1101	Allowances	41 706,04	41 706,04	100,00 %	41 706,04	0,00	0,00
A-1102	Employers charges	7 191,50	7 191,50	100,00 %	7 191,50	0,00	0,00
A-1110	Remuneration and allowances of contract agents	193 087,55	193 087,55	100,00 %	193 087,55	0,00	0,00
Sum:		366 227,38	366 227,38	100,00 %	366 227,38	0,00	0,00

Annex 4: Materiality criteria

Materiality is the basis for defining significant deficiencies in both qualitative and quantitative terms. The materiality criteria used by the EIT and the way of assessing their significance is presented below.

Qualitative criteria are linked to failure in achieving the EIT's short-term objectives, reputational risks of the EIT, significant deficiencies in the EIT's control systems and repetitive errors. These involve use of resources, sound financial management, and legality and regularity of the transactions. Their significance is judged on the basis of their nature, scope, duration, existence of compensatory measures, existence of effective corrective actions.

In quantitative terms a deficiency is considered material in cases where the financial impact or risk of loss is greater than 2% of the EIT's budget. In addition, the weakness must imply a significant reputational risk.
